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ANTECEDENTS AND CONSEQUENCES OF PREFERRED CUSTOMER STATUS

Faculty of Engineering and
Natural Sciences
Master of Science Thesis
September 2019

ABSTRACT

FATEMEH EBRAHIMIAN AMIRI: Antecedents and consequences of preferred customer status

Master of Science thesis

Tampere University

Industrial Engineering and Management

September 2019

Suppliers have evolved to become significant stakeholders in any companies' business. Suppliers might seem hands-down or be taken for granted because of the vast number of available options nowadays, and buyers might consider the process of procurement to be simple and trivial. That might be true for the majority of purchased products, however, there are situations in which lack of supply resources or scarcity of certain products results in competition between customers to secure their access to the scarce goods or services offered by competent suppliers. In these situations, these highly demanded suppliers can pick and choose, giving birth to the concept of preferred customer status.

Preferred customer status is a level of customer attractiveness in which the buying firm has become the preferred and chosen customer of a certain supplier and will benefit from exclusive offers like early access to innovations and the best brainpower from the supplier. The objective of this study is to investigate how buying firms can become more attractive and gain this preferred status and to analyse the benefits a buyer gains by being an attractive or preferred customer. The drivers and consequences are explored from the available literature and a model of preferred customer status is constructed to be tested. In this study, three antecedents and two consequences are tested using data from a survey study. Statistical equation modeling is used to form a model and partial least square method is used to test the model using SmartPLS software.

The results of this study show that the bridging capability of a buyer or its ability to connect suppliers to interesting new markets or interesting potential partners has a significant effect on customer attractiveness. It also shows that both customer attractiveness and preferred customer status are positively influenced by the performance feedback that the buyer provides to the supplier. Furthermore, the study shows that common goals and strategic fit of the two parties has a positive effect on the chance of gaining preferred status but has no effect on customer attractiveness. Moreover, testing the consequences, it is found out that customer attractiveness and preferred customer status both increase the supplier's willingness to share information with the customer and improve the mutual performance of the two companies. These results are strong indications of the benefits of being a preferred customer. They show that becoming more attractive leads to valuable information that suppliers share with the buyer and the supplier's commitment and efforts to improve the mutual relationship. The results also show that in order to gain attractiveness, buyers can leverage their network of partners and to connect the target supplier to interesting markets. It is also observed that developing an effective feedback system and having regular discussions with supplier about the relationship is very desirable to suppliers and buyers should take it into account in order to gain preferred status. Finally, buyers should consider the strategic fit between the two parties when thinking about becoming closer and gaining preferred status.

Keywords: customer attractiveness, preferred customer status, supplier satisfaction, buyer-supplier relationship, supplier relationship

PREFACE

I would like to thank my supervisors Prof. Jussi Heikkilä and Dr. Aki Jääskeläinen for their help and support during the conduction of the project and the writing of the thesis. Thank you for this opportunity.

I would like to thank my family for support and encouragement throughout my studies, especially the little one, Hiradi, for all the happiness and joy he brings us even from over the hill and far away.

Tampere, 16 September 2019

Sepehr (Fatemeh) Ebrahimian Amiri

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LIST OF SYMBOLS AND ABBREVIATIONS

| | |
|-----|------------------------------|
| AVE | Average variance extracted |
| CL | Comparison level |
| PLS | Partial Least Square |
| SEM | Structural equation modeling |
| SET | Social Exchange theory |
| VIF | Variance Inflation factor |

1. INTRODUCTION

To introduce the topic of this study, the thought process behind the questions of the study and the importance of studying the topic will be addressed in this chapter. Then, the research questions will be discussed and the context for research and the empirical study will be introduced briefly. Lastly, the methodology of this study and the structure which is followed in the essay will be presented to conclude this chapter.

1.1 Background and motivation

Suppliers play an important role in the competitiveness of companies (Porter, 1996). There was a time when most of the value in a company's offering was produced in-house; while now, with more complicated products, companies are more focused on their core competences and heavily dependent on their suppliers to deliver their complex products to their customers.

Suppliers are no longer simple providers of standardized parts; they are now sources of technology, innovation, creativity, and competitive advantage. Suppliers bring new ideas, capabilities that are not internal, and material and other resources that develop a company's competitive advantage in an otherwise unachievable way (Koufteros et al., 2012). Hence, companies are more than ever dependent on their suppliers on their way to success (Hunt and Davis, 2012).

It has been observed that the quantity of competent suppliers is decreasing in the supply market (Wagner and Bode, 2011; Schiele, 2008), resulting in a competition between buyers to have access to limited resources. On the other hand, for various types of material, there are usually no more than two or three leading suppliers available in the market. In both cases, the result is a limited number of suppliers that have to choose between buyers and do not treat all their customers with the same resources. This change is affecting the dynamic of buyer-supplier relationship.

In the literature on the subject of buyer-supplier relationship, the focus has mainly been on customer satisfaction, assuming that the burden of attractiveness is primarily on the

supplier who needs to be the best to keep its customers satisfied. It is the buyer's value that is the centre of attention and the concern is with how to transfer value from supplier to customer. This perspective is changing, due to the change in the dynamics of the relationship between buyers and suppliers resulting from the increased dependence of buying firms on the limited resources from suppliers (Nollet et al., 2012).

Although one possible way to soften this imbalance of power could be to use substitute products or change suppliers, it is not always recommended or even possible. Sometimes the best way forward is getting closer and building a stronger relationship with the interesting supplier.

Therefore, it seems the traditional approaches to managing supplier relationships and the focus on price reduction need to change and a more supplier-oriented approach should replace the previous behaviour. Accordingly, an emerging alternative approach of managing supplier relationships through attraction, voluntary compensation, and achieving preferential resource allocation is presented.

The concept of preferred customer or related concepts like reverse marketing are not new concepts and have been studied since the 1980s (Nollet et al., 2012), but only recently researchers started asking questions on how to achieve and maintain such positions (Hüttinger et al., 2012).

When preferred status is awarded, it is expected that the supplier offers best ideas and best personnel or rare and innovative products earliest to the preferred customer before everyone else and puts more effort and exclusive resources and investments into that relationship. This preferential treatment puts the chosen customer in a safe and competitive situation compared to other competitors and resolves the problem of scarcity that companies face. When awarded the preferred status, the buyer can be sure that they will be among the ones that have access to rare material or scarce production capacity, and also invaluable innovation and brainpower that drives the industry today.

Therefore, seeking preferred status is an interesting path for some buying companies to follow. This privileged treatment comes at a cost and requires the buying firm to attract supplier's attention, keep them satisfied during the interactions, and finally outperform competitors in creating value for the supplier to gain the special status of a preferred customer.

The topic of customer attractiveness and preferred customer status is being studied by various researchers on different topics now. Some researchers study the attraction inside the buyer-supplier relationship dyad (Hald et al., 2009), while others study customer attractiveness to suppliers (Ramsay and Wagner, 2009; Mortensen and Arlbjørn, 2012).

Some researchers study supplier satisfaction (Essig and Amann, 2009; Vos et al., 2016), and some study preferred customer status (Schiele et al., 2012; Pulles et al., 2016). These studies investigate different aspects of the mentioned topics and they are mostly oriented on the antecedents and drivers of the mentioned phenomena.

There are numerous antecedents and different themes for each of the above-mentioned topics, and since the research is still in its initial stages (Hüttinger et al., 2012), more studies are needed to bring clarity and more understanding for these subjects.

1.2 Research questions and objectives

When considering the process of becoming an attractive customer or gaining preferred status, an abundant of questions come to mind. First of all, the reason for seeking preferred status should be clear, since the path to becoming the customer that the supplier prefers is usually a long and demanding one. Then the important question of how to gain such status surfaces. Each customer-supplier relationship has unique characteristics and a thorough understanding of the dynamics of the relationship and the expectations of the supplier should be sought to answer the question of how. What the particular supplier values, the stage of the relationship, and the competencies and strengths of the customer itself all contribute to the question of how to become a more attractive customer.

In addition, questions such as which suppliers are the best candidates for this purpose, and with which ones the buying firm has a higher chance could also be analysed. And finally, the risks, benefits, and challenges that arise from the process of attracting the targeted supplier and keeping them satisfied, could be looked into. In the end, comparing the benefits and risks might render the process unnecessary, if the risks and costs of it outweigh the gains and values that could be obtained. A simple illustration of questions discussed above is shown in the figure below.



Figure 1. Possible research questions for preferred customer status topic.

From the questions mentioned, two have been chosen to be studied in this research. First the question of 'why' will be looked into as the consequences of customer attractiveness and preferred customer status. The question of 'why' asks the purpose of seeking attractiveness or preferential treatment. As mentioned, the process of becoming a preferred customer is not easy or painless. It requires a long-time commitment and much effort to gain and thus, clarity on the purpose and reasons to seek such path seems necessary. On the other hand, the changing dynamics of the buyer-supplier relationship is giving more significance to the subject of attractiveness, and clarification on the benefits and positive consequences might help bring more awareness and current towards this way of relationship management.

Second, the question of 'how' will be studied. Although much attention has been given to the drivers of customer attractiveness and related topics, there is still much to be researched and learned about the antecedents that affect the attractiveness of customers in the eyes of suppliers. Many antecedents have already been suggested in the literature which can be tested and confirmed or rejected, and new drivers can also be sought and analysed. Hüttinger et al. (2012) call for more empirical studies on customer attractiveness, and benefits that preferred customer gains. This study tries to do that.

1.3 Research context and the case companies

This thesis is done as part of a research project aiming to analyse the supplier relationship and supplier satisfaction through a survey study. The survey study was developed to analyse the suppliers' opinions regarding their relationship with the buyer companies, and to find ways to improve the relationship and the purchasing practices of the buyers. The survey measured the collaborative process and the relationship of the dyad, the information sharing practices and the joint performance and value creation in the relationship.

The recipients of the survey were the suppliers of four buying companies. The respondents were asked to answer the questions from the viewpoint of their employer company and its relationship with the buying company. The buying companies are four large Finnish companies that are operating internationally. Two of the companies are active in the manufacturing industry (machinery and equipment) and two are active in the service industry (information and communication technology). This gives more diversity to the results and less bias towards a particular industry setting.

1.4 Research philosophy and process approach

Saunders et al. (2009, p. 5) define research as a process of systematically collecting data and interpreting it in order to increase knowledge about something. They explain further that this collection of data should include the clarification of the methodology of the research, interpretation of the meaning observed from it, and the limitations of the research. In this chapter, the methodology of the current study will be illustrated, and in the following chapters the results and discussions and the limitations of the study will also be presented.

Saunders et al. (2009, p. 8) introduce a continuum for business and management research. They put basic and pure research on one end and practical research on the other end. They define basic research, as the research in universities with academic community as consumers that strives mostly to understand business process and outcomes without much attention to the practical application of the research; on the other hand, the practical research is done primarily for issues important for managers and is written mostly to their standards. The continuum is illustrated in the figure below.



Figure 2. *The continuum of business research (Adapted from Saunders et al., 2009, p. 9)*

This study is not pure research in the sense that the addressed research questions arise from the organizations and the results can be utilized by practitioners in companies. It also does not fall completely in applied science end since managers are not the only users of the expected knowledge and also it does not solely focus on a particular problem, but can be researched further with similar topics and inside a broader perspective. Thus, this study falls somewhere between the two extremes.

In demonstrating the research philosophy and the research approach, Saunders et al. (2009, p. 108) introduce the research onion as depicted in Figure 3. Research philosophy is an umbrella term for the development approach of knowledge and the nature of that knowledge. The choice of research philosophy determines the research strategy and methods used during the research. Saunders et al. (2009, p. 109) clarify that no research philosophy is better than another, but the choice merely depends on the research questions that need to be answered. They also argue that being aware of the philosophical position of the research serves practical benefits; it is only possible to examine, challenge, and change our assumptions if we are aware of them.

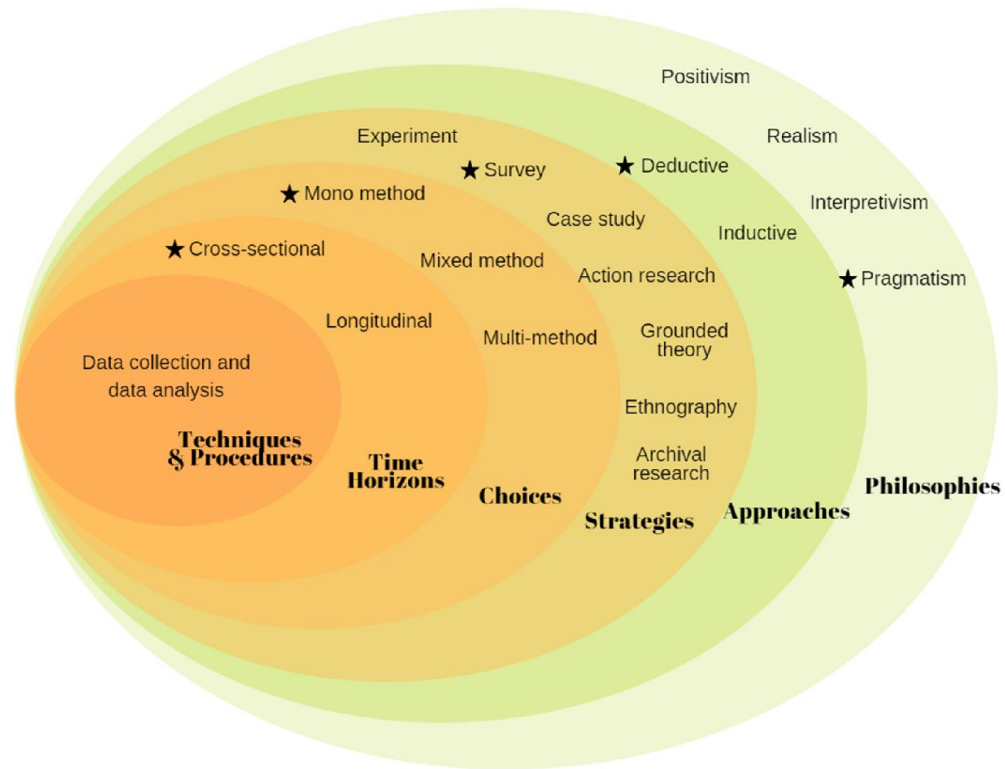


Figure 3. The research 'onion' (Adapted from Saunders et al., 2009)

Regarding the philosophies of research, pragmatism argues that the research question is at the heart of everything else and determines the view towards other subjects; positivism philosophy deals with observable realities to produce generalized law-like statements as is produced by physical and natural scientists; realism philosophy builds on the idea that there is a reality independent of our mind and what the senses show us is the truth; and finally, interpretivism emphasizes differences between humans as social actors. This study forms mainly on the basis of the research questions and tests the hypothesised answers to those questions and hence, is more skewed towards the pragmatism philosophy.

Research approach is categorized in two types of deductive research and inductive research. Deductive research includes the formation of a hypothesis, expressing the measurement method, testing the hypothesis by collecting data, examining the outcome and either confirming the hypothesis or modifying it based on the outcomes. In inductive research, on the other hand, theory is built based on the observations from the collected data. In this approach, various methods can be used to collect data in order to gain a broader view of the phenomena. In this study, owing to the available literature, a theo-

retical framework is defined and tested through gathered data, and therefore, the approach leans more towards the deductive research rather than inductive. However, the hypothesis in this research will not be firmly generalized and are open to future revision.

On another level, Saunders et al. (2009, p. 139) explain the purpose of research categorized in exploratory, descriptive, and explanatory. The aim of exploratory research is to shed light on a phenomenon and clarify the problem with new insights. Exploratory research is flexible, meaning that the focus is broad in the beginning and it gradually narrows down as the research progresses. Descriptive studies present a portrayal of a phenomenon rather than analysing and drawing conclusions, and thus, are not complete on their own and require an extension in the form of either exploratory or explanatory research. And finally, the objective of explanatory research is to study a situation to evaluate the relationship between variables. Based on these definitions, this study leans more towards explanatory research which is trying to test the causal relationship between some variables.

The third layer of Saunders' research onion is research strategy. The choice of research strategy depends on the research question, researcher's philosophy, amount of available knowledge, time and other resources. Among the various strategies, survey is chosen for this study. Survey strategy is closely identified with deductive approach and very common in business and management research (Saunders et al., 2009, p. 144). Surveys are economic ways of collecting large amounts of data. The data from surveys can be used to test and explain the relationship between variables.

A questionnaire was used as part of the survey study in this research. A questionnaire is defined as a form of data collection in which the same set of questions are asked from each member of a population (De Vaus, 2002 see Saunders et al., 2009, p. 360). Saunders et al. (2009, p. 362) add that in order to get the highest response rate, and validity and reliability of results, the questions of the questionnaire should be designed carefully, the layout should be desirable, the purpose should be clearly explained, and pilot testing should be performed to prevent any mistake or misunderstanding. These points were all taken into account during the design phase of this study's questionnaire.

The questionnaire in this study was a self-administered, internet-mediated questionnaire. Each recipient received an individual link to the questionnaire. The advantages of this type of questionnaire are (Saunders et al., 2009, p. 364):

1. it's more possible that the right person answers and not someone else
2. it's less possible that the answers are distorted (e.g. to please someone or giving socially desirable answers)

3. the sample size is high
4. Automated data entry makes the processing of data easier.

For the next layer of research onion, the two terms of quantitative and qualitative research arise. Quantitative data or analysis refers to numeric data and analysis methods that work with numbers like questionnaires, while qualitative data or analysis apply to non-numeric elements like words, pictures, and videos such as the interview strategy. Research choice refers to the way these quantitative and qualitative methods are combined in a research. If a single data collection and analysis technique is used in the research, it is called mono method, and if more than one technique is used, it is called multiple methods choice. (Saunders et al., 2009, p. 151-155) In this study, data is collected through a questionnaire and statistical modelling is used to test the hypotheses and answer the research questions, therefore, this study is a mono method research using quantitative data and analysis predominantly.

On the time horizon layer of the research onion lies the cross-sectional and longitudinal studies. Cross-sectional studies analyse a situation at a certain time like taking a snapshot, and longitudinal studies examine a phenomenon during a period of time like creating a diary. This study is investigating a case in a certain time and no longitudinal comparison is done on the case, and thus, this is a cross-sectional research. This is the last of the layers in the research onion and the ones applicable to this research are marked with a star in Figure 3.

1.5 Structure of the thesis

The rest of this thesis follows this structure: In chapters 2, 3 and 4, a literature review is done on the antecedents and outcomes of customer attractiveness and preferred customer status. In chapter 2, first the concept of attraction will be looked into more deeply, and attraction in buyer-supplier relationship will be defined. Then the stages of attractiveness will be explained. In chapter 3 the outcomes of gaining attractiveness and preferred status will be explored. In chapter 4, the drivers of attractiveness and preferred status will be analysed. Then, a model of preferred customer status will be presented to be tested in the following chapter. This sums up the literature review of this study.

In the next chapter, the process of the statistical modelling and testing the validity of the model and then the results of the test will be discussed. First, the model and the items

used in the model will be presented, then the data analysis will be discussed, and finally, the results from the test will be presented and discussed thoroughly. In the final chapter, the main findings of the study will be reviewed and summarised, the implications of this research for practitioners will be discussed briefly, the limitations of this research will be outlined, and finally, ideas for future research will be suggested.

2. ATTRACTIVENESS IN BUYER-SUPPLIER RELATIONSHIP

First of all, some fundamental concepts which compose the basis of this study will be introduced. The first and most important concept is attraction. Despite its familiarity in human social experience, attraction proves to be somehow difficult to define. The following section will investigate attraction, its definitions, underlying theories, and related ideas.

2.1 What is attraction?

The concept of attraction falls best into the field of social sciences. However, no consensus exists among social scientists on the definition of attraction (Berscheid, E., & Walster, 1978). Nevertheless, attraction is accepted to be a strong attitude. Duck (1977 cited in Ellegaard, 2012) formulates attraction to another individual as the outcome of what is known about the other party, how the individual feels about it, and how the individual reacts to it.

In order to explain the concept of attraction and its role in interpersonal or inter-organizational relationships, researchers have taken advantage of various theories. One of these theories used by Ellegaard (2012), is the reinforcement theory. Reinforcement theory states that individuals are attracted to those who reward them and avoid those who punish them (Homans 1961 cited in Ellegaard, 2012). A reward results in positive perception and stimulates repetition of the rewarding act, while a punishment gives a negative feeling and causes the individual to stop the punishable behaviour. Therefore, the individual is more likely to return to the rewarding party, and perceive it as more attractive.

One of the most used theories by researchers in studies of buyer-supplier attraction is the social exchange theory (SET). In SET, attraction is regarded as a force that draws partners together and encourages voluntary behaviours (Blau 1964 and Homans 1961 cited in Tanskanen and Aminoff, 2015). Hald et al. (2009) argue that SET is a suitable perspective to examine buyer-supplier relationship. First, SET has the ability to cover major aspects of a business relationship: relationship value, trust, and dependence. Second, SET fits properly with commercial relationships since it assumes that relationships are voluntary and do not guarantee reciprocation; i.e. uncertainty characteristic. And fi-

nally, SET endorses both intrinsic and extrinsic dimensions of reward, which help in covering different benefits experienced in a business relationship. Therefore, buyer-supplier relationship can safely be counted as a social exchange.

Attraction is a core concept in SET. Attraction is important because it encourages reciprocity in relationships. The idea is that the attracted partner will repay the favour by counterbalance rewards in order to prove themselves attractive to the other partner. And in this way, mutual attraction will shape and reinforce itself.

2.2 Measuring attraction

When exploring how attraction works and how outcomes of an interaction are evaluated by individuals, Thibaut and Kelley (1959 cited in Ellegaard, 2012) suggest a threshold named comparison level (CL), which indicates the expectation of an individual regarding what they believe to deserve in the interaction. Thus, if net outcome of an interaction (rewards minus costs) is below CL, it counts as unattractive, and if the net outcome is above CL, the interaction is attractive.

Rewards and costs incurred in an interaction can be categorized into three distinguishing tiers (Berscheid & Walster, 1978; Clore, 1976; Murstein, 1977 cited in Ellegaard, 2012):

1. Rewards provided by others
2. Rewards incurring from the relationship
3. And rewards created inside the perceiving party.

Rewards provided by others are extrinsic rewards for example money, goods, service, and information. Extrinsic rewards can be separated from the relationship, and are not limited to that relationship and thus can be accomplished in other relationships as well (Blau 1964 cited in Ellegaard, 2012).

The second category, rewards from the relationship, includes the intrinsic rewards resulting from the interaction itself and its features. These rewards can solely be generated together with the other party and are entangled with the interdependencies and interplays of the relationship.

The last category, internal rewards perceived by the party, are the feelings or sensations a party perceives from a relationship based on individual values and believes. These rewards can occur by conforming to personal or social templates and norms, for example feeling of satisfaction and altruism that ensues after assisting someone in need. This kind of reward is considered to generate strong commitment and is required for higher levels of attraction (Ellegaard, 2012).

Costs of a relationship are also divided into opportunity costs, investment costs, loss of material resources, and costs intrinsic to a behaviour (Molm, 1997). In addition to all the rewards and costs mentioned, attraction is also dependent heavily on future expectations of parties from the relationship (Mortensen, 2012; Schiele, 2012). Thus, immediate rewards might not always be required, but a positive view of the future can be attractive on its own. Moreover, it should be noted that attractiveness of one party is measured based on the perceptions of the other party and therefore, is subject to each individual actor's impression of attractiveness (Ellis et al., 2012). This means that attractiveness is subjective and changes from the view of one supplier to the other. Therefore, what is valuable and attractive for one party might prove to be unimportant or insignificant to another.

2.3 Attraction in buyer-supplier relationship

Hald et al. (2009) argue that despite the tendency in supply chain management and purchasing literature to propose control mechanisms for managing relationship with suppliers, attractiveness plays an important role in these relationships. Attraction can be regarded as an alternative approach in business relationship management, where instead of (or along with) enforcing power to control the other party, voluntary commitment is created and inspired through attraction (Cox, 1999).

Blau (1964) explains attraction as a feeling or expectation of a rewarding experience towards another individual. With a more professional perspective, attraction can be defined as the extent to which partners perceive each other appealing in terms of expected rewards from the relationship and costs of being involved in the relationship (Harris, O'Malley and Patterson, 2003; Homans, 1958; Thibaut, J.W. & Kelley, 1959 cited in Mortensen et al., 2008).

Nonetheless, there have been several attempts in defining attraction in business relationships. A brief collection of these definitions are presented in the table below.

Table 1. Definitions of attraction in buyer-supplier interactions.

| Definition | Source |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| "expected rewards minus costs of being involved in a relationship" | Blau (1964) and Homans (1961) cited in Mortensen et al. (2008) |
| "the attractiveness of the customer's market and the status/position of the customer's business" | Fiocca (1982) |
| The level of a relationship's reward-cost outcome compared to a minimum standard. | Dwyer et al. (1987, p. 16) |

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| “a company's interest in exchange with another, based on the economic and social reward–cost outcomes expected from the relationship over time” | Halinen (1997) |
| “the extent to which relational partners perceive past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility” | Harris et al. (2003, p. 9) |
| “the force fostering voluntarism in purchasing and marketing exchange, and further pushing a buyer and supplier closer together in a mutually advantageous relationship” | Hald et al. (2009, p. 968) |

Even though the concept of attraction has been defined somewhat differently by various authors, many of them believe that the purpose of becoming attractive is “to create the ability to manage and optimize value creation in the relationship and at the same time try to increase buyer-supplier commitment and thereby ensure allocation of resources” (Mortensen et al., 2008, p 801). In other words, what the authors in this research field expect from customer attractiveness is giving an upper hand to buying companies who are dependent on high commitment and mutual understanding from their key suppliers.

Attraction is related to perception hence, customer attractiveness is determined by a supplier and supplier attractiveness shows the perception of a customer towards a supplier. Customer attractiveness is a relatively new concept (Mortensen, 2012), first used by Vollmann and Cordón (2002) and Ellegaard et al. (2003) to draw attention to this overlooked perspective of a business relationship.

The concept of customer attractiveness has been studied under various names with slightly different views but the same core objectives. Christiansen and Maltz (2002) study “interesting” customer, Blenkhorn and Banting (1991) use the term reverse marketing, Ramsay and Wagner (2009) talk about supplier value, Essig and Amann (2009) and many others investigate supplier satisfaction, and Schiele et al. (2011) discuss preferred customer status. Nevertheless, Tanskanen and Aminoff (2015) argue that attractiveness empowered by SET is a strong and well-suited concept to study buyer-supplier relationship.

Attraction is a dynamic concept, meaning that it changes over time and is formed by the relationship and its surroundings (Ellegaard et al., 2003). Also, the level of attractiveness changes based on a party’s activities and the subsequent reaction from the other party. Hence, different stages or steps are named in the process of developing customer attractiveness. These stages will be explained in the next section.

2.4 Stages of customer attractiveness

There are different steps and stages suggested by researchers regarding the process of gaining attractiveness. Nollet et al. (2012) propose four stages of becoming a preferred customer. The first step is creating initial attraction. The buyer can influence this initial encounter and appear more attractive to the target supplier by attracting their attention and offering value. This will initiate a relationship or strengthen an existing one. Then, if the supplier is satisfied with the interaction, they will continue the relationship, which is the second stage of the process.

However, for the third step, which is gaining preferential treatment, the buyer should exceed supplier's expectations and prove its superiority over other alternatives. Nollet et al. (2012) mention a fourth step which is maintaining the preferred status. Schiele et al. (2012) present the same idea with three steps and show the continuity of the process by proposing a circular model. The figure below depicts these steps.



Figure 4. *Three steps toward preferred customer status.*

In this model, each step is necessary in order to get to the next. Hence, the concepts of customer attractiveness, supplier satisfaction, and preferred customer should be studied together.

2.4.1 Customer attractiveness

In their literature review, Hüttinger et al. (2012) observe that the majority of studies on customer attractiveness has used SET as the theoretical basis for their research. In the SET literature, Blau (1964) and Thibaut, J.W. & Kelley (1959) emphasize the role of value in attracting and satisfying partners. In this regard, customer value is defined as the benefits that a customer enjoys from a product or service (Lindgreen and Wynstra, 2005), while supplier value indicates the benefits a supplier receives in the relationship with a certain customer (Ramsay, 2005).

Simply put, a customer is considered attractive by a supplier if the supplier expects positive outcomes from the relationship with that customer (Schiele et al., 2012). Ramsay and Wagner (2009) explain that when a supplier is faced with different potential buyers, they evaluate the offerings of each buyer and calculate the value they can expect from the relationship with that company. Therefore, attractiveness has a forward-looking view of the relationship and relates to the expected value of a relationship (Hald et al., 2009).

Therefore, attractiveness can be assumed as the power that initiates or intensifies a relationship (Blau, 1964). Mortensen et al. (2008) emphasize that the two parties perceiving each other as attractive is a prerequisite for a business relationship to start.

2.4.2 Supplier satisfaction

Nollet et al. (2012) explain this step as the second step towards gaining preferred status. In this step, the buying company needs to identify supplier's expectations and satisfy these expectations by keeping a conforming performance level. Essig and Amann (2009) define supplier satisfaction as a supplier's feeling of fairness in a buyer-seller relationship which originates from mutual reciprocal behaviour related to buyer's incentives and supplier's contributions.

Hüttinger et al. (2012) differentiate between customer attractiveness and supplier satisfaction by explaining that customer attractiveness can be independent of interaction with suppliers. For example, a buying firm can be regarded as attractive to all suppliers if it is a large firm with high purchasing volume, but the firm will only gain supplier satisfaction through successful interaction with suppliers. Therefore, these two concepts need to be analysed differently. If a buying firm aims to gain preferred status, simply appearing attractive to the supplier is not enough; they should also strive to keep the supplier satisfied in the exchange relationship.

On the other hand, Mortensen (2012) differentiates between attractiveness and satisfaction by explaining that satisfaction is based on past and current value creation i.e. perceived value, while attractiveness is based on future expectations of value, i.e. expected value. Satisfaction is developed over time, as one party experiences the performance of the other party in the business relationship and how they assess it based on their criteria (Halinen, 1997).

2.4.3 Preferred customer status

The status of being a preferred customer can be defined as the state when a supplier offers a customer “preferential resource allocation” (Steinle and Schiele, 2008). This resource allocation can be the delegation of human resources like a specialized engineer, intellectual resources like innovative and original ideas, or tangible resources such as production capacity. Steinle and Schiele (2008) suggest that the special access that preferred status brings for firms, will give them competitive advantage over their rivals and enable them to outperform their competitors.

Hüttinger et al. (2012) point out the difference between customer attractiveness and preferred customer status by explaining that preferred status is a strategic prioritization by the supplier in which the act or behaviour of preferring the chosen customer over others takes place, while customer attractiveness only describes a positive image and perception of a customer in a supplier’s eyes. In other words, preferred status indicates an action or behaviour regarding a customer, but customer attractiveness is only a cognitive notion.

However, Mortensen (2012) differentiates between the two concepts by arguing that attractiveness is based on future expectations from a business partner, while preferred status is gained based on past experiences in the relationship. Moreover, consequences of becoming attractive seem to be more fruitful in the literature. For example, Mortensen et al. (2008) mention better performance and loyalty as outcomes of attractiveness, and Ellegaard and Ritter (2006), Cordon and Vollmann (2002), Christiansen and Maltz (2002), (cited in Mortensen et al. 2008) point out the relational cost reductions that can occur because of higher attraction between partners.

Pulles et al. (2016) point out that preferred status is a rare privilege and only a few buyers can attain such commitment from a supplier. A supplier will grant this status to those customers which will help them in their development and gaining competitive advantage (Fiocca, 1982). Nollet et al. (2012) mention that the process of becoming a preferred customer is a complex, uncertain, and resource-consuming process that requires a long-lasting commitment from a company and therefore, should be considered thoroughly before making a decision.

2.4.4 Attractiveness spectrum

As introduced earlier, Schiele et al. (2012) see several steps in the process of attractiveness which starts by customer attractiveness as a basic positive image and reaches

preferred customer status as the highest level of attraction and preference a customer can gain in the relationship with a supplier.

On the other hand, Ellegaard (2006 see Mortensen et al., 2008) defines three levels in which buying companies are categorized by suppliers: satisfying, valuable, and attractive. In order to be satisfying, a customer only needs to satisfy a supplier's basic performance criteria over a short period. To gain valuable status, a customer must contribute to supplier's strategic development plan in a long-term view. And finally, to be perceived as an attractive customer, strong personal social relations must be developed between the parties. In Ellegaard's view, attractiveness is a high-level state that only a few customers achieve.

Furthermore, Ellegaard and Ritter (2006) point out that customer attractiveness is present in all the stages that lead up to preferred status. Considering these views, it can be hypothesized that attractiveness is a spectrum with low attractiveness along with less commitment, less trust, and less relationship value on one end, and preferred customer status with the highest commitment, trust, and value on the other end. This idea is presented in the figure below.

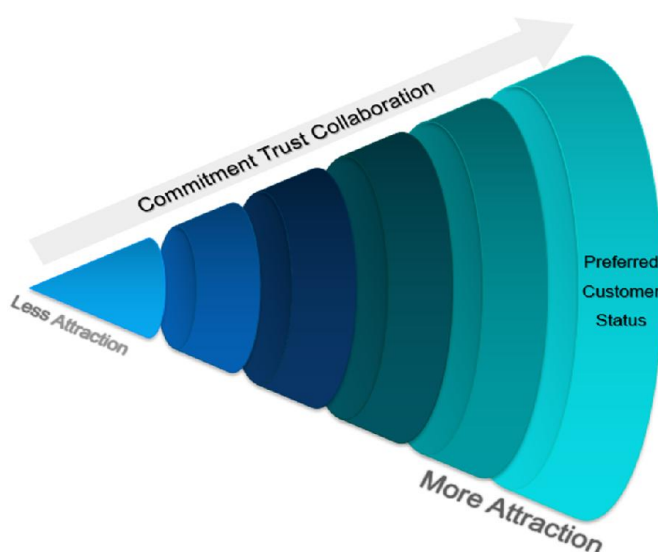


Figure 5. *Spectrum of attraction.*

The figure above shows the wide possibilities of different levels of attractiveness. A company can evaluate its attractiveness in the eyes of an attractive supplier, then by building upon antecedents and determinants of customer attractiveness make its way through the spectrum towards preferred status. The idea here is that customer attractiveness can be interpreted as a continuum rather than a fixed state and can cover the wide range of buyer-seller relationship status.

3. WHY TO SEEK ATTRACTIVENESS

In this section, the question of 'why' will be addressed. As mentioned before, it is important to know why to seek to become a more attractive customer. Despite the challenges of gaining attractiveness, the benefits that are discussed in this section might prove to be worth pursuing, since the reasons for choosing a new path for supplier relationship management seems abundant.

In their literature review, Hüttinger et al. (2012) call for a systematic analysis of the benefits that a preferred customer status brings to the buyer. With the preferred customer status being a relatively new concept, the question might arise that why a company would want to get preferred status. This question is answered in the literature by researchers in different ways. Some talk about the importance of being an attractive customer to receive favourable treatment and others mention the importance of keeping key suppliers happy to attract their preferential treatment.

Hald et al. (2009) discuss the importance of attraction in a buyer-supplier relationship and especially why it is important to become an attractive customer. They support their argument by providing three cases; First, the growing awareness among buying companies regarding the scarcity of innovative competencies (Cordon et al., 2006 cited in Hald et al., 2009), second, the reported "supplier rebellion" where suppliers push manufacturing companies into the edge of shutting down by refusing to supply (Cordon, 2005 cited in Hald, Cordón and Vollmann, 2009), and third, they mention concepts such as "supplier advisory council" (Fawcett et al., 2006), which helps companies become a "favoured customer".

On the other hand, Vos et al. (2016) point out two reasons why "reverse marketing" (Leenders and Blenkhorn, 1988), i.e. customers competing for capable suppliers, is needed. First, they mention companies' tendency to reduce their supply base to gain cost reduction benefits, which in turn results in fewer suppliers surviving the competition in the market and gaining dominance. And second, they mention the increasing need for capable suppliers and higher dependency of companies on their suppliers, due to the increasing level of outsourcing.

Essig and Amann (2009) also refer to the increasing amount of outsourcing and dependency on suppliers' know-how, to explain why keeping a supplier satisfied can be beneficial to companies. Since the number of purchased goods and services are high, buying

companies usually cannot control the quality level on their own; having a supplier satisfied enough, can mean self-commitment from the supplier and consequently less concern for the buying company regarding the quality of purchased products.

As can be seen from the above arguments, researchers mention different lines of reasoning to support the importance of becoming an interesting or attractive customer. Some refer to situations in which buying companies are facing scarcity of supply, forcing them to compete over the supplier resources in order to ensure their access to the products they need; others, however, discuss the benefits and privileges that a company can gain by keeping its key suppliers satisfied. Therefore, the reason behind seeking preferred status can be divided into two categories:

1. Compulsion based motives
2. Drive based motives

In the first category, the buying company is obliged to acquire preferred status for example because of lack of supply, in terms of quantity or quality. In a situation where, for example, a certain product is becoming rare in the market, the buying company can benefit from preferential treatment from a supplier, when the supplier gives priority to their orders over other buyers.

Ramsay and Wagner (2009) describe a case where customer attractiveness can be a buying company's one of few hopes to get the products they need. They present the experience of a small company whose offering is not enticing enough to a large supplier and thus gets disregarded. They suggest that in this case, the small buyer can search for supplier's wants, needs, and preferences, then find corresponding sources of supplier value in their own business and customize their offering to the supplier accordingly to attract supplier's attention. In another study by Kanter (2008, cited in Nolle et al., 2012), 72% of interviewees mentioned becoming a preferred customer as a priority for some goods and services where demand exceeds supply.

In the second category, even though no immediate necessity is felt by the buying company, they could choose to pursue the process of gaining preferred status due to various enticing benefits that could be gained. Hald et al. (2009) categorize buyer perceived value from close relationship with suppliers into five key components: cost reduction, time compression, innovation, access to new partners, and competency development.

Cost reduction is the ability to jointly reduce costs that will enable both parties to offer more competitive prices. Time compression refers to areas where the supplier can help the buyer to be more responsive towards market needs and reduce its time-to-market.

Innovation as a valuable capability in suppliers can also be a source of customer value through for example reduced costs or production process improvements. Access to new partners or new markets signifies a supplier's ability to link the buyer to new and potential valuable businesses. Finally, competency development indicates the process of learning from a certain relationship and leveraging that knowledge in other dyadic business relationships. These developed competencies are unique to the dyad and usually too complicated for competitors to copy, thus, resulting in competitive advantage for both involved parties.

Based on the introduced sources of value, in the following sections, the benefits of gaining attractiveness and having preferred status are investigated in the literature.

3.1 Benefits of customer attractiveness

The benefits of attraction and its core role in the buyer-supplier relationship have been proved in different studies (Tanskanen and Aminoff, 2015). However, the importance of customer attractiveness and the consequences of being an attractive customer has received less attention. Next, explanations given by different researches to support various benefits of customer attractiveness will be investigated.

Mortensen et al. (2008) state that researches on attraction show that the reason why companies try to become more attractive is to maximize value creation in the relationship, increase commitment, and secure their access to the other party's resources. They add that the concept of attraction proves important especially for companies who depend heavily on commitment from their buyer or supplier. This situation happens usually when companies participate in joint product development, joint innovation practices, or any other case where high quality or technological standards are required (Mortensen et al., 2008).

Customer attractiveness has been suggested to increase the supplier's commitment to the relationship (Ellegaard, 2003; Mortensen and Arlbjørn, 2012). As mentioned before from Essig and Amann (2009), this commitment can show itself by creating this trust in the buying company that the supplier will provide the products with the agreed quality level, sparing the purchaser the trouble to evaluate and control the products on its own. Developing attraction can be utilized as a method to entice the other party to willingly invest in the relationship (Mortensen, 2012), and hence, increase the mutual gained value from the relationship.

In her book, Halinen (1997) counts attraction as a requirement for interaction initiation, development of relationships, and formation of trust. She argues that an initial level of

attraction is necessary for a relationship to begin. As the perceived attractiveness of a partner increases, so does the motivation to maintain the relationship (Dwyer et al., 1987).

In the attractiveness literature, trust and commitment are two recurring concepts. Trust is defined as the belief by one party that its needs will be recognized and answered by the other party (Anderson and Weitz, 1989). Commitment is defined as an implicit or explicit promise between the parties to continue the relationship also in the future (Dwyer et al., 1987). According to Halinen (1997), trust leads to commitment, and likewise commitment contributes to a company's trustworthiness, and finally, trustworthiness creates more attraction, therefore, a reinforcing cycle exists between attraction, trust, and commitment. In other words, attraction leads to trust and reinforces commitment indirectly.

Mortensen et al. (2008) explain the relationship between attraction and loyalty. They argue that by becoming more attractive to the other party, a company can absorb top management attention, which in turn might result in better performance and loyalty. Ellegaard and Ritter (2007) mention the loyalty effect as a consequence of attractiveness and explain the results to be higher purchasing volumes and value, more potential for cross and up-sales, and the recommendations and references to other potential businesses.

It is also mentioned in the literature that the costs of relationship can be reduced when attraction increases; it is because a partner will be more willing and proactive in the relationship when they want to keep the attractive partner satisfied (Mortensen et al., 2008). Ellegaard and Ritter (2007) refer to this as the search effect: when a trustable and proper relationship forms, the costs of searching for new partners and developing new relationships are eliminated.

Ellegaard and Ritter (2006, see Mortensen et al., 2008) claim that suppliers require a certain level of attractiveness from the customer to engage in improvement of processes, product technologies, and other improvement practices. Cordon and Vollmann (2002, see Mortensen et al., 2008) show that most attractive customers get the best brainpower and commitment from the suppliers. Ellegaard et al. (2003) point out equality in decision-making power and the influencing power of customer on supplier's actions as outcomes of attractiveness.

Table 2. *List of customer attractiveness benefits from the literature.*

| Benefits gained through attractiveness | Support from the literature |
|-------------------------------------------------|-----------------------------------------------|
| Better performance | Mortensen et al. (2008) |
| More influential power over supplier's decision | Nollet et al. (2012); Ellegaard et al. (2003) |
| Equality in decision making | Ellegaard et al. (2003) |

| | |
|------------------------------------|------------------------------------------------------------------------------------------------|
| Supplier attention and loyalty | Christiansen and Maltz (2002); Mortensen et al. (2008); Ellegaard and Ritter (2007) |
| Continuation of the relationship | Halinen (1997) |
| Supplier commitment | Ellegaard et al. (2003); Mortensen and Arlbjørn (2012); Essig and Amann (2009); Halinen (1997) |
| Supplier's level of innovation | Schiele and Krummaker (2011); Ellegaard and Ritter (2006 cited in Mortensen et al. (2008)) |
| Supplier's allocation of resources | Williamson (1991), Schiele and Krummaker (2011) |
| Value creation | Ellegaard (2012), Hald et al. (2009) cited in Tanskanen and Aminoff (2015) |
| Trust | Halinen (1997); Ellegaard and Ritter (2006 cited in Mortensen et al. (2008)) |
| Lower relational costs | Mortensen et al. (2008); Ellegaard and Ritter (2007) |
| Supplier's best brainpower | Cordon and Vollmann, (2002 cited in Mortensen et al. (2008)) |
| Investments in the relationship | Mortensen (2012) |
| Improvement in practices | Ellegaard and Ritter (2006) |

3.2 Benefits of preferred customer status

Despite the common idea that suppliers will try as hard as they can to keep a customer satisfied, recent studies have shown that suppliers differentiate between their customers (Steinle and Schiele, 2008; Schiele, 2012). Recognizing this can help buying companies to take advantage of their capabilities to access the best resources and increase their chance in a competitive market.

Bew (2007 cited in Hüttinger et al., 2012) states that the special behaviours suppliers apply towards their preferred customers include allocation of material, premier access to new ideas, and special cost reduction opportunities. Schiele et al. (2011) and Moody (1992) mention that the pricing behaviour of suppliers can be better and more considerate when it comes to preferred customers.

In their study, Bemelmans et al. (2015) observe that the satisfaction of a buying company is higher from a relationship when they are awarded preferred status by the supplier. This satisfactory perception can be the result of any combination of other benefits of having a preferred status (e.g. making sacrifices for the customer in the event of shortages, dedicating best resources, exclusive innovations, etc.).

A supplier survey by Bew (2007, cited in Nollet et al., 2012) shows interesting results regarding preferential treatment from suppliers: 75% of suppliers regularly offer rare products or services to their preferred customers; 82% confirm that they offer product innovations and new technologies first to their preferred customers, and; 87% admit offering better prices to their preferred customers.

Ellis et al. (2012) confirm the positive effect of having preferred status from a supplier on the supplier's willingness to give the buyer access to its new technologies. Access to supplier's new technologies strengthens the buying firm's innovative capabilities (Kumar et al., 1993) and in turn gives the firm competitive advantage in the marketplace (Schiele, 2012).

Table 3. *Consequences of preferred customer status*

| Benefits of preferred customer status | Support from literature |
|--------------------------------------------------------------|--------------------------------------------------------------------------------|
| Offered (access to) "rare" products | Bew (2007), Nollet et al. (2012) |
| First one to have access to innovations and new technologies | Bew (2007), Nollet et al. (2012), Ellis et al. (2012), Bemelmans et al. (2015) |
| Responsiveness | Williamson (1991), Nollet et al. (2012) |
| Allocation of materials | Bew (2007 cited in Hüttinger et al., 2012) |
| First access to product new ideas | Bew (2007 cited in Hüttinger et al., 2012) |
| Dedication of best personnel | Bemelmans et al. (2015), Schiele et al. (2011) |
| Preferential allocation of production capacity | Bemelmans et al. (2015), Schiele et al. (2011) |
| Special cost reduction opportunities | Bew (2007 cited in Hüttinger et al., 2012) |
| Supplier innovativeness | Schiele et al. (2011) |
| Benevolent pricing | Schiele et al. (2011), Nollet et al. (2012) |
| Customer's higher satisfaction from the collaboration | Bemelmans et al. (2015) |

| | |
|-----------------------------------------------------|-----------------------------------------------|
| Joint cost reduction | Nollet et al. (2012), Bemelmans et al. (2015) |
| Stronger interactions | Bemelmans et al. (2015) |
| Two companies become closer and more similar | Bemelmans et al. (2015) |
| Product customization according to customer's needs | Nollet et al. (2012) |
| Consistent product quality | Nollet et al. (2012) |
| Initiating quality improvements | Nollet et al. (2012) |
| Timely information sharing | Nollet et al. (2012) |
| Delivery reliability | Nollet et al. (2012) |
| Open exchange of knowledge and information | Schiele et al. (2011) |

4. HOW TO BECOME A PREFERRED CUSTOMER

In this section, the question of 'How' will be explored. The 'how' question aims to answer how to become an attractive (or preferred) customer. This question entails identifying the expectations and evaluation criteria of suppliers for selecting their preferred customers and how a customer can influence these factors.

4.1 Antecedents of customer attractiveness

A need to identify drivers of buyer (and supplier) attractiveness is observed by several researchers. For example, La Rocca et al. (2012) point out how disagreements on drivers of attractiveness hinder the evaluation process of customer attractiveness. Identifying the elements that make a business partner attractive also helps companies to develop those attributes in order to improve their position in the eyes of the other party and enjoy its subsequent benefits. Therefore, the antecedents and drivers of customer attractiveness will be explored in this section.

One of the core concepts that is cited frequently by researchers when studying buyer-supplier relationship is trust. Trust is defined as a confidence or assumption that each party will act based on self-interest but will not behave opportunistically or exploit another's vulnerabilities; or, the willingness by either party to go above and beyond expectations or formal agreements (Barney and Hansen, 1986; Sako, 1992; Williamson, 1993). According to Blau (1964), trust is found in two ways: either through regular commitment and reciprocation or through gradual expansion of interactions over time. Therefore, due to the uncertain nature of social exchange, trust is regarded as a key ingredient of relationship capital (Hald et al., 2009). Trust will be present in many of the arguments regarding the drivers of attractiveness.

Tanskanen and Aminoff (2015) identify four bases for attractiveness:

- 1) Economic based
- 2) Behavior based
- 3) Resource based, and
- 4) Bridging based.

As can be expected, economic value is important in making a business partner attractive. Economic values include both short term values such as purchasing volume, fast and reliable payment, price, and costs, and long term values such as customer's position in

the market, future outlook of customer's industry, and customer's tendency to invest in new business areas (Tanskanen and Aminoff, 2015).

Baxter (2012) argues that the financial performance of a company is sufficient to describe its attractiveness. He explains that despite the importance of non-financial factors in the short-term, in the long-term, all factors show their importance only through their financial outcomes.

Under the behaviour based category, Tanskanen and Aminoff (2015) found communication, commitment, trust and respect as important drivers of buyer attractiveness. They found out personal relations and a long history of relationship are drivers of communication, commitment, and trust which in turn lead to attraction. In their study, good communication was described by suppliers as proactive, not too aggressive, and focused on opportunities, for example discussing strategies and future business development. Through a review of literature in their study, Harris et al. (2003) find that personal similarity in terms of background, education, goals and values, and geographical proximity all affect attractiveness on an individual level, and consequently on the organizational level.

Knowledge sharing is recognized as a sign of commitment in the relationship. Similarly, involving suppliers in the process of new product or service development shows the commitment of customer to the relationship (Tanskanen and Aminoff, 2015). It was also discovered that suppliers value customers' commitment to learning and improving in the relationship (Tanskanen and Aminoff, 2015). Cordon and Vollmann (2002 see Mortensen et al., 2008) also emphasize the importance of learning on the attractiveness. They explain how learning helps to gain attractiveness by enhancing joint competitive advantage, trust and openness, inter-organization bonds, information sharing, and communication.

Tanskanen and Aminoff (2015) also found some operational level elements as important factors for suppliers. According to their study, suppliers value good forecasts and customers' simple and stable operational processes. Hüttinger et al. (2014) confirm the importance of reliable forecasts for suppliers in their study. When proper data is available about future demands, capacity planning becomes more efficient therefore, suppliers value reliable forecasts from their customers.

In the third group of attributes identified by Tanskanen and Aminoff (2015), antecedents related to customer's resources are placed. These attributes include resources like the management, resources and innovation capability, and resources such as customer's

brand and reputation. Also, a buying company's size seems to play a role in its attractiveness. It can be assumed that a larger buying company signifies a larger sales potential hence, a more attractive customer.

Hüttinger et al. (2014) also identify innovation potential of a customer to be attractive for suppliers. It is explained that suppliers might be interested in innovation capability of a customer because it gives them an opportunity to be involved in innovative development practices and gain valuable experience and consequently enhance their own attractiveness with other partners.

In the fourth and last category of attractiveness drivers or bridging based drivers, Tanskanen and Aminoff (2015) identify characteristics that consider the larger value network in which the buyer and supplier are present. They find that suppliers value customers who are present in favourable market areas which could give suppliers an opportunity to reach end customers. Anderson et al. (1994) use the term "network identity" to address the same idea. They define this concept as the perceived attractiveness of a company originating from its connections with other firms and access to those firms' resources.

Suppliers also admire the information or access they can gain through a customer to new interesting partners (Hald et al., 2009). Hence, a customer with organizational links to a valuable potential partner is deemed attractive. In other words, any opportunity a relationship brings in terms of creating connection means to other companies could be counted as a bridging based attractiveness attribute.

Ramsay and Wagner (2009) identify a wide list of characteristics that suppliers want or prefer in their customers. In line with forecast reliability, suppliers also appreciate stable demands from customers (Russill, 1997), as stability of demand makes the planning process more effective. Ramsay and Wagner (2009) also cite Rozemeijer and Van Weele (2002) who identify performance feedback as a source of customer attractiveness. They propose that suppliers value the feedback they receive from their customers regarding the effectiveness of their operations.

Vollmann and Cordon (2002) point out the opportunities a customer can provide the supplier to learn from its operations, as a source of customer attractiveness. Cordon and Vollmann (2005) also suggest that a customer's willingness to consider the supplier's ideas and suggestions make up for an attractive customer.

A list of elements identified by different researchers as drivers of customer attractiveness is presented in the table below.

Table 4. *Antecedents of customer attractiveness.*

| Antecedents of Customer Attractiveness | Support from the literature |
|-----------------------------------------------------|------------------------------------------------------------------------------------------|
| Proximity, familiarity, similarity | Harris et al. (2003), Hald et al. (2009), Pardo et al. (2006) |
| Purchasing volume | Tanskanen and Aminoff (2015), Hald et al. (2009), Ellegaard and Ritter (2007) |
| Fast and reliable Payments | Tanskanen and Aminoff (2015) |
| Price | Tanskanen and Aminoff (2015), Hald et al. (2009), Ellegaard and Ritter (2007) |
| Position in the market | Tanskanen and Aminoff (2015) |
| Customer's industry's future outlook | Tanskanen and Aminoff (2015) |
| Customer's tendency to invest in new business areas | Tanskanen and Aminoff (2015) |
| Size and growth | Hald et al. (2009), Tanskanen and Aminoff (2015), Ramsay and Wagner (2009) |
| Communication | Hald et al. (2009), Ramsay and Wagner (2009), Tanskanen and Aminoff (2015) |
| Commitment | Hald et al. (2009), Tanskanen and Aminoff (2015) |
| Trust and respect | Hald et al. (2009), Tanskanen and Aminoff (2015) |
| Length of relationship | Tanskanen and Aminoff (2015) |
| Personal relations | Ellegaard et al. (2003), Ramsay and Wagner (2009), Tanskanen and Aminoff (2015) |
| Knowledge sharing | Hald et al. (2009), Harris et al. (2003), Tanskanen and Aminoff (2015) |
| Learning and improvement | Tanskanen and Aminoff (2015), Mortensen et al. (2008) |
| Stable operations | Tanskanen and Aminoff (2015) |
| Proper forecasts | Tanskanen and Aminoff (2015) |
| Supplier involvement in new product development | Cordon and Vollmann (2008), Ramsay and Wagner (2009), Tanskanen and Aminoff (2015) |
| Supplier training | Christiansen and Maltz (2002), Ramsay and Wagner (2009) |
| Management | Tanskanen and Aminoff (2015) |
| Innovation capability | Christiansen and Maltz (2002), Ellegaard and Ritter (2007), Tanskanen and Aminoff (2015) |

| | |
|----------------------------------------------|------------------------------------------------------------------------------------------------|
| Brand and reputation | Tanskanen and Aminoff (2015), Pardo et al. (2006) |
| Production process capability | Tanskanen and Aminoff (2015) |
| Access to new markets or partners (bridging) | Christiansen and Maltz (2002), Ellegaard and Ritter (2007), Tanskanen and Aminoff (2015) |
| Demand stability | Ramsay and Wagner (2009) |
| Risk sharing | Christiansen and Maltz (2002), Ramsay and Wagner (2009) |
| Ability to cope with changes | Ramsay and Wagner (2009) |
| Information sharing | Christiansen and Maltz (2002), Cordon and Vollmann (2008) |
| Performance feedback | Ramsay and Wagner (2009); Hald et al. (2009); Maunu (2003) |
| Receptive to supplier ideas | Cordon and Vollmann (2005) |

Despite the long list of attributes, not all suppliers are interested in the same features in a customer. Tanskanen and Aminoff (2015) argue that the importance of each characteristic depends on the strategic intent of the supplier towards the relationship. They discuss that the strategic intent can be categorized into two groups: first, exploitative strategic intent, which means aiming to effectively utilize existing resources and offerings in the relationship; and explorative strategic intent, which means aiming to develop new capabilities and resources outside the dyad with the help of the relationship.

Then, when the intent is exploitative, the economic-based and behaviour-based drivers are most important; and when the intent is predominantly explorative, all the categories of attractiveness drivers are highly important. On the other hand, Harris et al. (2003) suggests that attractiveness of a partner can affect the strategic intent of a relationship. Therefore, the relationship between attractiveness and strategic intent might be bidirectional.

Moreover, a company's perception of another party's attraction depends on the knowledge of alternatives and also the professional and personal socialization (Harris et al., 2003). Perceived attraction of an individual is influenced by both the personal values and preferences and the professional context which is the culture of the company. Hence, every evaluator of attractiveness has a somewhat unique framework for their assessment. Hald and Vollmann (2007 cited in Mortensen et al., 2008) also emphasize this and add that attractiveness of a partner is perceived by many different individuals in both companies which can be difficult to handle.

Ellegaard et al. (2003) argue that since managing is all about influences among people, social factors such as interpersonal interactions between personnel of supplier and customer firms can also affect the attractiveness of a customer. According to Harris et al. (2003), individuals prefer interacting with others who share their backgrounds, attitudes, and working styles. Therefore, Ellegaard et al. (2003) suggest analysing and understanding each key supplier's background and culture and based on that tailoring company's attributes to fit each supplier's expectations. Moon and Bonney (2007) also emphasize the importance of interpersonal attraction in strengthening buyer-seller relationship.

4.2 Antecedents of supplier satisfaction

In the literature of supplier satisfaction, antecedents and drivers are also explored. Many of these drivers are quite similar to the ones mentioned for customer attractiveness, but there might be some specifications making them slightly different. In their empirical study, Whipple et al. (2002) found that while buyers value the accuracy of information exchanged, suppliers care more about the timeliness of information. Considering the fact that suppliers need information in time to plan their internal processes, it seems natural that they are more satisfied with punctual partners.

In their survey study, Forker and Stannack (2000) found out that cooperative relationship results in higher satisfaction than competitive relationship. Hüttinger et al. (2014) also confirm the positive effect of supportive and cooperative relational behaviour on supplier satisfaction.

Maunu (2003) identify supplier satisfaction drivers categorized in two groups: business related drivers such as profitability, early supplier involvement, and business continuity; and communication related drivers such as openness and trust, and buying company's values. In terms of communication, both general communication and customer's willingness to communicate are found to affect supplier satisfaction.

Despite the importance of supplier involvement in development activities, Fishbein (1967, cited in Essig and Amann, 2009) argue that satisfaction does not solely result from the extension of involvement but rather depends on the supplier's perception of an ideal involvement (e.g. a commodity supplier might prefer little involvement while a module supplier might appreciate more extensive involvement).

While Maunu (2003) count business process factors influential on supplier satisfaction, Benton and Maloni (2005) find performance to have no effect on satisfaction. According to their study, satisfaction in a buyer-supplier relationship only originates from the nature

of the relationship. They find that in power-driven relationships, relationship-based strategies based on reward and non-mediated power sources have a more positive effect on satisfaction. They also specify the ability to manage conflicts as one element of relationship satisfaction. This ability signifies the two parties' ability to respect each other's rights and find mutually beneficial solution in conflicts (Wong, 2002).

Leenders et al. (2005) specify these attributes to improve satisfaction: volume, commitment, exclusivity agreements, information sharing, communication, willingness to change, and responsiveness. Nyaga et al. (2010) found out that collaborative activities such as dedicated investment, information sharing, and joint performance mediated by trust and commitment have a positive effect on satisfaction. Ghijsen et al. (2010) also observed in their study that indirect supplier development and influence strategies like information exchange and sharing recommendations can improve supplier satisfaction.

Based on their literature review, Hüttinger et al. (2012) concluded that the maturity of a firm could influence supplier satisfaction. They observed that drivers of supplier satisfaction identified in the literature seem to engage different functions of a firm such as purchasing, production, and R&D. Therefore, cross-functional collaboration is needed to reach such results. Since cross-functional practice usually emerges only in more developed and mature firms, it can be concluded that mature firms are more likely to have satisfied suppliers.

A list of some of the antecedents of supplier satisfaction suggested by different authors is presented in the table below.

Table 5. *Antecedents of supplier satisfaction.*

| Antecedents of supplier satisfaction | Support from literature |
|---------------------------------------------|----------------------------------------------------------------------------|
| Early supplier involvement | Maunu (2003), Essig and Amann (2009) |
| Technical competence | Essig and Amann (2009) |
| Bargaining position | Essig and Amann (2009) |
| Commitment to agreements | Essig and Amann (2009), Maunu (2003), Wong (2002) |
| Communication | Essig and Amann (2009), Maunu (2003) |
| Information sharing | Essig and Amann (2009), Whipple et al. (2002) |
| Operational excellence | Essig and Amann (2009) |
| Payment processes | Essig and Amann (2009), Meena and Sarmah (2012), Maunu (2003), Wong (2002) |
| Supplier development | Ghijsen et al. (2010) |

| | |
|----------------------------------------|------------------------------------------------------------------------------|
| Joint performance | Nyaga et al. (2010) |
| Profitability | Maunu (2003) |
| Purchasing volume | Leenders et al. (2005) |
| Expectation of relationship continuity | Maunu (2003), Leenders et al. (2005) |
| Cooperative relationship | Essig and Amann (2009), Forker and Stannack (2000), Benton and Maloni (2005) |
| Dedicated investments | Nyaga et al. (2010) |
| Recommendations | Ghijssen et al. (2010) |
| Corporate image | Meena and Sarmah (2012) |
| Longevity of the relationship | Maunu (2003) |
| Quality | Maunu (2003) |
| Trust | Maunu (2003) |
| Innovation | Maunu (2003) |
| Flexibility (willingness to change) | Maunu (2003) |
| Receptiveness to supplier ideas | Wong (2002), Leenders et al. (2005) |
| Ability to manage conflicts | Essig and Amann (2009) |
| Business continuity | Maunu (2003) |
| Exclusivity agreements | Leenders et al. (2005) |
| Commitment | Leenders et al. (2005) |
| Responsiveness | Leenders et al. (2005) |
| Maturity | Hüttinger et al. (2012) |

4.3 Antecedents of preferred customer status

Williamson (1991) identifies loyalty as a criterion that will foster preferential treatment from suppliers. Engaging in long-term contracts with suppliers signals customer loyalty and long-term profitability, and in turn stimulates preferential treatments in terms of resource allocation and responsiveness from suppliers.

The characteristics of a “best customer” were identified by suppliers in a survey as: early supplier involvement, trust, supplier involvement in new product development, quality, profitability, schedule sharing, cost reduction initiatives, communication and feedback, crisis management, and commitment (Moody, 1992).

In their study, Ellis et al. (2012) also confirm the positive contribution of supplier involvement on a buyer's chance of being awarded preferred status. They explain that in addition to various benefits that buyers can gain by involving suppliers in new product development process, suppliers also benefit from this involvement. Suppliers can enjoy better

internal cost management through mutual adaptations and information sharing (Petersen et al., 2005), and they can better understand customer needs and provide better solutions during the development, because of better interactions with the buyer (Bonaccorsi and Lipparini, 1994).

Baxter (2012) suggests supplier commitment as an essential antecedent of preferential treatment. As mentioned before, the main idea of commitment in a relationship is the tendency to maintain the relationship. Another study by Walter (2003) also supports the influence of supplier commitment on preferential resource allocation to the customer.

Steinle and Schiele (2008) introduce geographical proximity as a factor that can affect a buying company's chance of gaining preferred status. If the firm is located in the same regional or national cluster as the supplier, it might be easier to gain preferred status. The reason could be the technical and social obstacles arising from the embedded relationships inside the clusters and the mutual adaptations that lowers the chance of foreign companies to gain access to non-local suppliers (Steinle and Schiele, 2008).

Based on a survey, as presented in Bew's paper (2007 cited in Hüttinger et al., 2012), suppliers give importance to strategic fit, lower cost to serve, and predictable decision process when choosing preferred customers. It seems that strategic compatibility in terms of proximity, mutual goals, and strategies, plays an important role in choosing a best customer.

Blonska (2010) studied the role of supplier development investments as a driver of preferential treatment. She concluded that investments on supplier development directly improves trust and commitment (relational social capital) and future outlook (cognitive social capital), which will enhance the connection between the buyer and supplier (structural social capital), and finally result in preferential treatments (Hüttinger et al., 2012).

Hüttinger et al. (2014) argue that suppliers only strengthen their relationship with those customers they find attractive. Thus, customer attractiveness is considered an antecedent for preferred status (Schiele et al., 2012). Hüttinger et al. (2014) also mention that the level of supplier's satisfaction with a relationship affects their preferential treatment towards a customer.

Bemelmans et al. (2015) explore the role of customer's maturity on gaining preferred status, which is also studied by Steinle and Schiele (2008). Bemelmans et al. (2015) point out some indications of a company's maturity. One indication of a company's maturity is their purchasing maturity. The more purchasing function is integrated with the strategic management decision-making process (Schiele, 2007), and the more it fulfils a supply chain management role instead of a traditional order management role

(Rozemeijer et al., 2003), it means the purchasing function is more mature. Sharing of best practices among different units of a firm also indicates a higher level of maturity in a firm. Bemelmans et al. (2015) confirm that the more mature a buying company is, as perceived by a supplier, the higher the possibility of gaining preferred status.

Bemelmans et al. (2015) also mention investments by the supplier as an antecedent of preferred status. They explain that if the investments are done solely by the supplier and not compensated by similar investments from the customer, it may result in a captive supplier situation; and, if both parties invest in the relationship, they will transition into a partnership situation. In both cases, the investments bind the supplier to the relationship.

Ellis et al. (2012) also explain the role of relational reliability as a strong determinant of preferential treatment. Relational reliability refers to the responsible fulfillment of implicit and explicit promises. Consistent fulfillment of promises promotes credibility, creates trust, reduces the risk of a partner's opportunistic behavior (Ganesan, 1994), enhances the social bonds between partners (Blau, 1964), and demonstrate buyer's intention for a long-term relationship (Wagner et al., 2011).

A list of some of the determinants of preferential status allocation is collected from the literature in the table below.

Table 6. *Antecedents of preferred customer status.*

| Antecedents of Preferred customership | Support from literature |
|----------------------------------------------|-----------------------------------------------------------------------------------------------|
| Purchasing volume | Steinle and Schiele (2008), Bew (2007), opposed by Ellis et al. (2012) |
| Profitability | Moody (1992), Bew (2007) |
| Lower cost to serve | Moody (1992), Bew (2007) |
| Loyalty | Williamson (1991) |
| Trust | Moody (1992), Blonska (2010) |
| Commitment | Moody (1992), Blonska (2010), Baxter (2012) |
| Relational reliability | Ellis et al. (2012) |
| Customer attractiveness | Moody (1992), Christiansen and Maltz (2002), Hald et al. (2009), Tanskanen and Aminoff (2015) |
| Supplier satisfaction | Essig and Amann (2009), Nyaga et al. (2010), Baxter (2012) |
| Fairness | Moody (1992) |
| Strong bonds | Blonska (2010) |
| Early supplier involvement | Moody (1992) |
| Involvement in product development | Moody (1992), Ellis et al. (2012) |
| Supplier development | Blonska (2010) |
| Quality initiatives | Moody (1992) |

| | |
|--------------------------------------------|--------------------------------------------------------|
| Cost reduction initiatives | Moody (1992) |
| Crisis management | Moody (1992) |
| Schedule sharing | Moody (1992) |
| Communication | Moody (1992) |
| Efficient business processes | Moody (1992) |
| Predictable decision processes | Bew (2007) |
| Strategic fit | Bew (2007) |
| Shared future | Blonska (2010) |
| Geographical proximity | Steinle and Schiele (2008) |
| Maturity | Steinle and Schiele (2008), Bemelmans et al. (2015) |
| Supplier's investments in the relationship | Bemelmans et al. (2015) |

4.4 Antecedents and level of attraction

In their literature review, Hüttinger et al. (2012) suggest that the drivers identified by researchers in the customer attractiveness research field are more related to market factors and customer's competitive position and these factors are most important when companies have not yet started their relationship. In that sense, these factors act as exclusion factors, meaning that if they are not present, the company will not satisfy the initial requirements of the supplier and will fail to make an impression on the supplier. They also suggest that drivers of supplier satisfaction are more focused on operational capabilities of the customer and how well they fulfil supplier's expectations during the exchange relationship. Finally, they observe that value creating factors are in the heart of preferred status drivers. At the same time, they point out that there are some factors such as purchasing volume, profitability, and low service costs that are present in all three stages.

Ford (1980) counts commitment as an important signal of stages in the development of a relationship and it is present also in all three stages and their fields of research. In order to get a better view of the importance of different factors on the level of attractiveness and to find out which type of factors have a greater role in each of the different stages of customer attractiveness, the identified factors are compiled in the table below and categorized in four groups. The first three groups are inspired by Tanskanen and Aminoff (2015) and the last category contains more exclusive or complicated factors.

Table 7. *Categorizing attractiveness antecedents.*

| | Customer attractiveness | Supplier Satisfaction | Preferred Customer Status |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic | <ul style="list-style-type: none"> • Purchasing volume • Payment • Price • Position in the market • Customer's industry • Tendency to invest in new business areas • Stable demand | <ul style="list-style-type: none"> • Purchasing volume • Payment • Profitability • Bargaining position • Business continuity | <ul style="list-style-type: none"> • Purchasing volume • Profitability • Lower cost to serve |
| Behaviour | <ul style="list-style-type: none"> • Communication • Commitment • Trust & respect • Supplier involvement in new product development • Supplier development • Long history • Information sharing • Ability to cope with changes (flexibility) • Receptive to supplier's ideas • Performance feedback • Personal relations • Knowledge sharing • Commitment to learning and improvement • Reliable forecasts • Risk sharing | <ul style="list-style-type: none"> • Communication • Commitment • Trust & respect • Supplier involvement in new product development • Supplier development • Long history • Information sharing • Ability to cope with changes (flexibility) • Receptive to supplier's ideas • Performance feedback • Commitment to agreements • Joint performance • Expectations of continuity • Cooperative relationship • Dedicated investments • Responsiveness • Exclusivity agreements • Ability to manage conflicts | <ul style="list-style-type: none"> • Communication • Commitment • Trust & respect • Supplier involvement in new product development • Supplier development • Commitment to agreements • Loyalty • Fairness • Strong bonds • Cost reduction initiatives • Predictable decision process • Schedule sharing • Crisis management |

| | | | |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resource | <ul style="list-style-type: none"> • Innovation capabilities • Brand & reputation • Production process capability • Management | <ul style="list-style-type: none"> • Innovation capabilities • Brand & reputation • Technical competencies | |
| Exclusive | <ul style="list-style-type: none"> • Stable operations • Proximity, similarity • Size & growth • Growth potential • Bridging opportunity | <ul style="list-style-type: none"> • Operational excellence • Maturity • Business continuity • Quality | <ul style="list-style-type: none"> • Geographical proximity • Maturity • Efficient business processes • Quality initiatives • Strategic fit |

It can be observed that some economic factors are present in all three stages, while some other such as price lose their position in later stages or turn into more complex elements like total cost of serving. Five factors are also present in all stages of customer attractiveness: communication, commitment, trust, supplier involvement, and supplier development. It also seems that resource factors are absent in the last stage, i.e. preferred customer stage. In the first two stages, the suppliers seem to value factors such as customer's brand or technical capabilities, but even innovation and technology competencies of buying companies do not appear to be effective in the last stage.

Hüttinger et al. (2012) also observe that strategic compatibility of companies emerges only in the last stage. Choosing a preferred customer being a strategic decision requires a strategic harmony between the two companies which could be measured in factors such as proximity, common goals, and management strategies. Therefore, such factors only show up in later stages.

5. PREFERRED CUSTOMER STATUS MODEL

Based on the studied literature the following model is suggested for customer attractiveness antecedents and the outcomes of gaining such status from a supplier. The idea in this model is taking into account both sides of the story, i.e. how to become an attractive customer, and what to expect from such customer status (or why to become an attractive customer).

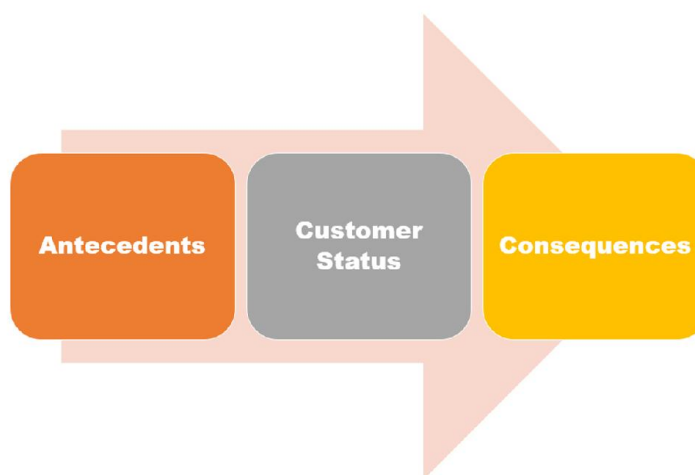


Figure 6. *The three stage model of customer attractiveness.*

As described in the literature review sections, a wide number of antecedents and consequences are identified for both customer attractiveness and preferred customer status. In this study, two consequences namely information sharing and joint performance improvement, and three antecedents namely, bridging, performance feedback, and common goals and strategic fit, are chosen to be tested. These factors are depicted in the model below.

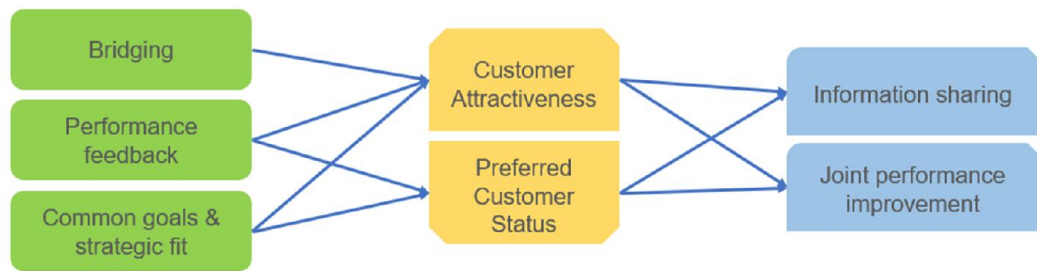


Figure 7. *The model to be tested in this study.*

As explained in the literature review section, some researchers divide the stages of customer attractiveness and give each stage different names; for example, Schiele et al. (2012) name three stages of customer attractiveness, supplier satisfaction, and preferred customer status. In section 2.4.4 the idea of attractiveness spectrum was introduced and based on that idea, from here forward in this study, the whole process of customer attractiveness will be divided into two stages: customer attractiveness and preferred customer status. Preferred customer status is the final stage in the continuum of attractiveness and all the stages before that are assumed as part of the whole attractiveness stage which contains the initial attractiveness and the stages of being an interesting customer after the initiation of the relationship, supplier satisfaction during the interactions, and other stages leading towards higher attractiveness and finally reaching the final and separate stage of preferred status.

The reason for choosing to continue in this manner is to save on extravagance and hassle which would be if each stage were to be counted individually. The many layers of attractiveness are beyond the purpose of this study and hence, will not be addressed in the model.

The relationships and elements shown in the above model will be looked into more thoroughly, and then the test and results will be presented in the next section.

5.1 Bridging

As proposed by Ramsay and Wagner (2009), the greater the amount of supplier value perceived by a supplier from a relationship, the higher the chance of the buyer to be perceived as an attractive customer. A relationship with a customer can have direct value-creating effects such as profit from sales or high volumes of sales, or indirect value-creating potential. This indirect value may result from a valuable reference from a prominent customer, or the access and information a customer can bring to the supplier from the markets in which the customer is active (Bemelmans et al., 2015).

As called by Bemelmans et al. (2015) “the market function”, when a certain buying company has positive reputation in a market that is attractive to the supplier, working with that customer can be a source of credibility for the supplier, and bring supplier value. Furthermore, a buyer can share their experience about a market they are active in, and help the supplier with entering or prospering in that market (Walter et al., 2001). In turn, the supplier will have more reasons to involve in business with that buying company, thus, increasing the customer’s attractiveness. Therefore, the following statement is hypothesized:

H1. Bridging opportunities brought by a buyer can enhance customer attractiveness.

5.2 Performance feedback

Hald et al. (2009) state that frequent communication between buyer and supplier in terms of exchange of plans, goals, expectations, and performance evaluation is vital for successful relationship and enhances the expected value from the relationship for both parties. An ongoing and devoted interaction channel helps to prevent misunderstandings, align joint actions, and strengthen the relationship, resulting in enhanced trust between the parties and finally more attraction towards each other.

Rozemeijer et al. (2003) found out that suppliers may appreciate feedback from their customers regarding the effectiveness of their actions. From their survey, Maunu (2003) discovers that suppliers are becoming more demanding and more aware of performance feedback from buyers, and they seek ideas and improvement suggestions from their customers.

In a survey by Association for Manufacturing Excellence presented by Moody (1992), suppliers ranked “communication and feedback” among the most important characteristics of a “best customer”. Furthermore, Nollet et al. (2012) advise buying firms to share performance measurement results with their suppliers to increase their commitment to the relationship and gain or sustain preferred customer status. They also instruct buyers to measure performance regularly, share the results, and evaluate and discuss the objectives to clarify the expectations of both parties. Based on above arguments these two statements are tested:

H2. Providing performance feedback for suppliers positively improves customer attractiveness.

H3. Providing feedback regarding supplier performance increases the chance of gaining preferred customer status.

5.3 Common goals and strategic fit

Similarity in shared values in terms of behaviours, goals, and policies between the associate parties can increase their involvement and commitment to the relationship (Sirdeshmukh et al., 2002). Shared values along with strategic compatibility between companies help to build trust in buyer-supplier relationship, and trust moderates the perceived expected value from the relationship (Hald et al., 2009).

Furthermore, Krapfel et al. (1991) define the compatibility between the two business actors' economic goals as "interest commonality". When the two actors' goals are in line with one another, interest commonality is high. According to Ramsay and Wagner (2009), when interest commonality is high, the buying company will be perceived as more attractive.

On the other hand, strategic fit (Bew, 2007), and shared future (Blonska, 2010) are identified as antecedents of preferred customer status. Blonska (2010) explains how common goals and perceptions of future, results in higher chance of becoming preferred customer: according to Boland and Tenkasi (1995), having similar expectations, goals, and plans for the future, leads to better understanding of events; this mutual understanding in turn, results in better interactions and smooth communication between parties, and helps them perceive the mutual benefits from their exchange relationship (Tsai and Ghoshal, 1998); when the relationship is perceived as beneficial and interesting, suppliers will be more motivated to invest in the relationship (Jap, 1999), and grow closer to the buyer; thus, a shared future and common plans will form between the parties and the supplier will be more likely to offer exclusive resources and preferential treatment to the buyer.

Considering the above reasoning, the following statements will be examined:

H4. Common goals and strategic fit between buyer and supplier improve customer attractiveness.

H5. Common goals and strategic fit between buyer and supplier enhance the chance of gaining preferred customer status.

5.4 Information sharing

According to Christiansen and Maltz (2002 see Schiele et al., 2011), being an interesting customer means an open flow of information and knowledge between the customer and the supplier, which in turn improves the process of innovation. Nollet et al. (2012) mention the timely provision of information by the supplier, as one of the advantages of becoming a preferred customer. According to them, these information include news about products or markets and new and more economical solutions to customer's needs.

When the preferred customer status is awarded, it usually implies a high level of trust between the associate parties, and thus, it is expected that it will result in more informal interactions, and less strict negotiations regarding pricing, and a more open flow of information between the organizations (Williams, 2001; Dyer and Chu, 2003). Therefore, the following two hypotheses will be examined:

H6. Customer attractiveness positively influences the sharing of information between buyers and suppliers.

H7. Preferred customer status facilitates information sharing between a buyer and supplier.

5.5 Joint performance improvement

According to Mortensen et al. (2008), companies that are engaged in close collaboration such as joint product development can benefit from the commitment and self-control that attractiveness brings to the relationship. (Mortensen et al., 2008) also explain the connection between attraction and better performance by pointing out the attention and involvement that an attractive partner can gain from the top management of the partner company. When top management is involved in a business relationship, loyalty and performance improvement could follow.

Furthermore, Ellegaard and Ritter (2006), Cordon and Vollmann, (2002), Christiansen and Maltz, (2002) cited in Mortensen et al., (2008) also point out that being more attractive increases cost-effectiveness of a relationship. When a company is an attractive partner, the other partner will be more active and willing to maintain the relationship, thus, decreasing the relational costs.

Ellegaard and Ritter (2006, see Mortensen et al., 2008) describe a strong connection between customer attractiveness and improvement initiatives from the supplying partner. They emphasize that the presence of attraction is vital for a supplier to willingly improve

resources such as processes and product technologies. Based on these arguments the following hypothesis will be examined:

H8. Customer attractiveness has a positive effect on joint performance improvement.

Nollet et al. (2012) explain the various advantages of acquiring preferred status. Among the many advantages, they name consistent quality of products, initiating quality improvements, enhancing technological input to products, responsiveness towards the relationship requirements, better delivery service, and more opportunities for cost-reduction. Bemelmans et al. (2015) also state that among the various benefits of becoming a preferred customer, there are also more opportunities to jointly reduce costs and reach a more cost-efficient performance. Considering these reasonings, the following statement will be examined:

H9. Preferred customer status boosts joint performance improvement.

6. SURVEY STUDY ON CUSTOMER ATTRACTIVENESS

In this chapter, the survey study used to gather data for this research is introduced. The survey items, its implementation, and response results will be addressed. Then the quality of the collected data for testing the research model will be analysed. Next, the results of the model testing will be presented and some discussion on the results and comparison of the results with literature will be explained.

6.1 Supplier relationship survey

The data used for this study was collected through a survey study. The survey study was conducted during autumn 2018. The general purpose of the survey study was to analyse the relationship between a group of buying companies and their suppliers. The study was done online through an online questionnaire tool. The recipients were suppliers of four international buying companies. The list of recipients was provided by the buying companies and the method of communication to reach the recipients was email.

First, the questionnaire was sent through the online survey tool to the recipients' email addresses. The participation rate was observed through the tool during the study. Within around one week of interval, two reminder emails were also sent to the recipients who have not already responded to the questionnaire. Afterward, the questionnaire was closed and the data were extracted for analysis from the tool.

The items used in the questionnaire were derived from the literature. Some items were extracted from a similar survey study named ProcuValue done at Tampere University in 2017 (Jääskeläinen et al., 2017). The items from the survey that were used in this study are presented in the table below. The items' source from the literature can also be found in Appendix A. The survey consisted of five parts starting with some questions regarding the background of the respondent. The other four parts contained questions regarding the nature of the two companies' relationship. After each section, an open question was available for further comments about the questions or respondents' own opinions.

Each of the four main sections of the questionnaire comprised several subsections each containing between 3 to 9 questions. The questions were in the form of statements with a seven-point Likert response scale from "strongly disagree" to "strongly agree"

(1=strongly disagree, 2=disagree, 3=somewhat disagree, 4=neither agree nor disagree, 5=somewhat agree, 6=agree, 7=strongly agree). Respondents were asked to answer as much of the questions as they could, but there was also the possibility to leave the question unanswered if needed. The respondents were reassured of the confidentiality of the study. The questionnaire was estimated to take about 15 minutes to answer.

Table 8. The items used from the survey for this study.

| | Items |
|---------------------------|----------------------------------------------------------------------------------------------------------------------|
| Bridging | <i>The relationship with [Customer] ...</i> |
| | ... provides us with a dominant market position in our sales area. |
| | ... is very important for us with respect to growth rates. |
| | ... enables us to attract other customers. |
| | ... enables us to exploit new market opportunities. |
| Performance feedback | Representatives of our company and [Customer] meet regularly to review the performance of the relationship. |
| | <i>Our firm can easily approach [Customer] for discussion...</i> |
| | ... to clarify their expectations of our firm's performance. |
| | ... regarding their evaluation of our firm's performance. |
| | ... regarding ideas for performance improvement. |
| Strategic fit | We set the strategic goals for the relationship together with [Customer]. |
| | Our company's goals regarding the relationship are consistent with those of [Customer]. |
| | We use shared indicators with [Customer] for supply chain or supply network performance. |
| Customer attractiveness | We expect positive outcomes from the relationship with [Customer]. |
| | Our firm has positive expectations towards profitability and large sales volumes from relationships with [Customer]. |
| | The way business is done by [Customer], makes it an attractive partner for our firm. |
| Preferred customer status | <i>Compared to other customers in our firm's customer base...</i> |
| | ... [Customer] is our preferred customer. |
| | ... we care more for [Customer]. |
| | ... [Customer] receives preferential treatment. |
| | ... our firm's employees prefer collaborating with [Customer]. |
| Information sharing | We provide our production plans for [Customer]. |
| | <i>We support the operations of [Customer] by providing credible quantitative information concerning...</i> |

| | |
|-------------------------------|---------------------------------------------------------------------------------|
| | ... the quality of our products or services. |
| | ... delivery schedules of our products or services. |
| | ... our production capacity. |
| | ... lead time for production. |
| Joint performance improvement | Our joint performance with [Customer] is better than 3 years ago in terms of... |
| | ... delivery performance. |
| | ... cost-efficiency. |
| | ... fulfilment of quality standards. |
| | ... responsiveness to requests for changes. |
| | ... joint product or service development. |
| | ... technological knowledge. |

Since four buying companies were participating, four versions of the questionnaire were prepared with appropriate customization for each company. These customizations included for example using the corresponding buying company's name instead of the title [customer] in the questionnaire, as shown in the table. The questionnaire was prepared in both Finnish and English, and the participants could choose between the two languages at the beginning of the questionnaire.

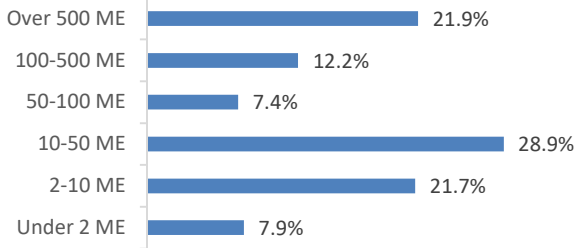
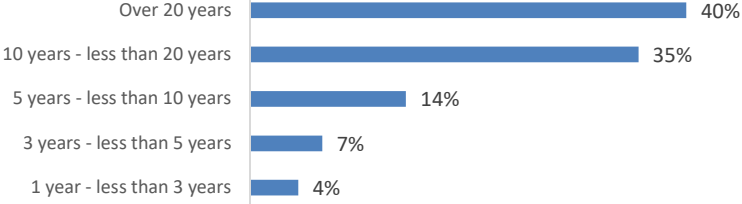


The questionnaire was piloted with some people from the companies with managerial positions in the purchasing department, to check the context and give feedback. Based on their insight, some questions were slightly modified and improved to better convey the ideas. The questionnaire was also checked by some researchers experienced in survey studies from the University for proofreading.

The questionnaire was sent to 1840 recipients and a total of 502 responses were received, resulting in a response rate of 27%. Out of these responses, some were excluded due to invalidity and the final number of valid answers that were used for analysis was 482 responses. The invalid responses included the ones that had a high number of unanswered questions or had a pattern of response that stayed consistent during the whole survey, or the ones that were highly suspected of misunderstandings in the answers. These responses were visually screened and eliminated from the sample.

The background questions in the questionnaire included questions about the respondents' position and length of employment in their company, and the respondent company's industry, revenue, product offering, location, and duration of relationship with the buying

company. Most respondents were senior managers or key account managers. The majority of the respondent companies were non-key, direct purchasing companies with long-term relationships with the buyers. Some demographic data of the respondents' companies are provided in the table below.

Table 9. Demographic information of the respondent companies

| Company size based on annual revenue in 2017 in million euros |  <table border="1"> <thead> <tr> <th>Company size (ME)</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Over 500 ME</td> <td>21.9%</td> </tr> <tr> <td>100-500 ME</td> <td>12.2%</td> </tr> <tr> <td>50-100 ME</td> <td>7.4%</td> </tr> <tr> <td>10-50 ME</td> <td>28.9%</td> </tr> <tr> <td>2-10 ME</td> <td>21.7%</td> </tr> <tr> <td>Under 2 ME</td> <td>7.9%</td> </tr> </tbody> </table> | Company size (ME) | Percentage | Over 500 ME | 21.9% | 100-500 ME | 12.2% | 50-100 ME | 7.4% | 10-50 ME | 28.9% | 2-10 ME | 21.7% | Under 2 ME | 7.9% |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------|------------------|-------|-------------------------------|-------|------------------------------|------|-----------------------------|-------|----------------------------|-------|------------|------|
| Company size (ME) | Percentage | | | | | | | | | | | | | | |
| Over 500 ME | 21.9% | | | | | | | | | | | | | | |
| 100-500 ME | 12.2% | | | | | | | | | | | | | | |
| 50-100 ME | 7.4% | | | | | | | | | | | | | | |
| 10-50 ME | 28.9% | | | | | | | | | | | | | | |
| 2-10 ME | 21.7% | | | | | | | | | | | | | | |
| Under 2 ME | 7.9% | | | | | | | | | | | | | | |
| Length of the relationship |  <table border="1"> <thead> <tr> <th>Length of relationship</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Over 20 years</td> <td>40%</td> </tr> <tr> <td>10 years - less than 20 years</td> <td>35%</td> </tr> <tr> <td>5 years - less than 10 years</td> <td>14%</td> </tr> <tr> <td>3 years - less than 5 years</td> <td>7%</td> </tr> <tr> <td>1 year - less than 3 years</td> <td>4%</td> </tr> </tbody> </table> | Length of relationship | Percentage | Over 20 years | 40% | 10 years - less than 20 years | 35% | 5 years - less than 10 years | 14% | 3 years - less than 5 years | 7% | 1 year - less than 3 years | 4% | | |
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| 1 year - less than 3 years | 4% | | | | | | | | | | | | | | |
| Key/Non-key status |  <table border="1"> <thead> <tr> <th>Status</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Non-key supplier</td> <td>67%</td> </tr> <tr> <td>Key supplier</td> <td>33%</td> </tr> </tbody> </table> | Status | Percentage | Non-key supplier | 67% | Key supplier | 33% | | | | | | | | |
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| Direct/Indirect purchasing |  <table border="1"> <thead> <tr> <th>Purchasing Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Direct</td> <td>70%</td> </tr> <tr> <td>Indirect</td> <td>30%</td> </tr> </tbody> </table> | Purchasing Type | Percentage | Direct | 70% | Indirect | 30% | | | | | | | | |
| Purchasing Type | Percentage | | | | | | | | | | | | | | |
| Direct | 70% | | | | | | | | | | | | | | |
| Indirect | 30% | | | | | | | | | | | | | | |

The collected data was first extracted from the online tool to separate excel files from each company. The data was then modified and cleansed and merged in a single excel file. Some statistical analysis was done by Excel and IBM SPSS and the data was uploaded from Excel to SmartPLS for statistical modelling.

6.2 Data analysis

Data from the questionnaire was uploaded to SmartPLS 3.0 for analysis and modelling. SmartPLS is a modelling package for partial least square analysis. Partial least square (PLS) is a component-based or variance-based structural equation modelling (SEM) of systems of independence and response variables (Garson, 2016, p. 8). PLS is mostly suitable for prediction research or exploratory modelling rather than confirmatory (Garson, 2016, p. 8).

Among the advantages of PLS are the ability to model multiple dependents and multiple independents, and robustness in dealing with data noise and missing data. One of the disadvantages of PLS is that in order to evaluate significance, bootstrap induction is required since the distribution properties of the estimates are not clear. (Garson, 2016, p. 8-9) For the purpose of this study, PLS is sufficient and suitable to use. Next, the research model and its components and the quality tests done on the collected data will be introduced.

Non-response bias is the bias caused by respondents who do not participate in the research and refuse to answer the questions (Saunders et al., 2009, p. 596). When a group of recipients cannot or will not participate in the study, an unrepresentative sample occurs which results in bias. In order to test the non-response bias in this study, the responses were divided into three groups based on the response waves: responses from the original invitation, first reminder, and second reminder. A T-test was performed, and no statistically significant difference was found in the data.

Another bias that is tested is the common method bias. Kock (2015) defines the common method bias as the bias caused by the measurement method instead of the cause and effects relationship of the studied model. The reason for this bias can be for example, the instructions at the beginning of the questionnaire that lead the respondents in a general direction causing common variation in indicators of the model, or for example a general social tendency that leads to participants answering the questions in a certain way and again causing common variation in indicators (Kock, 2015). In order to test the common method bias, Harman's single factor test was performed. According to this test, no single factor was accountable for more than 50% of the variance, which shows that common method bias is most likely not an issue in this study.

The model of the study as built in the software is depicted in Figure 8. The modelling is called a structural equation modelling (SEM) which is a family of statistical models that are formed to test and explain the relationship among multiple variables (Hair et al., 2014, p. 546). Each of the elements of the model depicted by circles is constructs of the model.

Constructs are unobservable or latent concepts that can be defined conceptually but either cannot be measured directly or cannot be measured without error (Hair et al., 2014, p. 543). Thus, constructs are measured through indicators, which are depicted in the model by rectangular boxes. Indicators are observed value or measured variables that are used to measure latent constructs (Hair et al., 2014, p. 544).

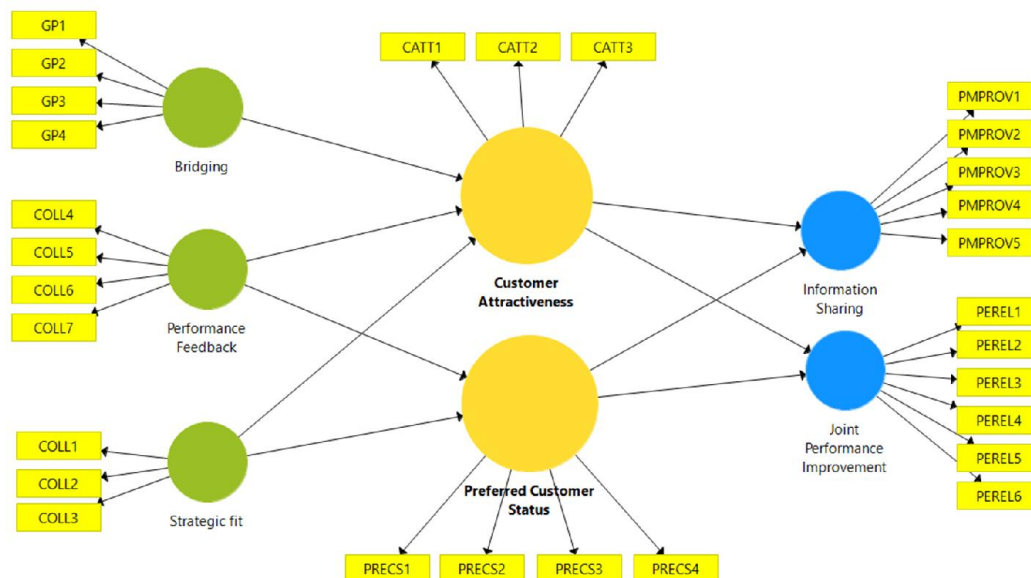


Figure 8. PLS-SEM model of the study in SmartPLS 3.0.

The constructs of this study are reflective, as can be seen in the model that the causal arrows go from the latent variables to the indicators. Reflective models signify that indicators are all representations of the latent variable and together measure the factor, and therefore, eliminating one is not crucial because the other indicators reflect the same picture. On the other hand, in formative models, each indicator represents various dimensions of the latent variable and cannot be excluded (Garson, 2016, p. 17-19).

According to Hair et al. (2014, p.565), after defining the constructs, developing the model, and producing empirical data, the next stage in SEM is assessing the measurement model validity. In order to assess model validity, the goodness-of-fit of the model should be assessed. Goodness-of-fit measures the ability of the model to recreate the observed covariance matrix among the indicator variables (Hair et al., 2014, p. 544); in other words, how close the predicted values are to the observed values. Some of the appropriate goodness-of-fit measures for reflective models will be introduced and used for this study.

First, the reliability of the model needs to be tested. Reliability is a measurement of how internally consistent a set of indicators of a latent construct are in their measurement. When the indicators are highly interrelated, meaning that they all appear to measure the same element, then the constructs can be accepted as highly reliable (Hair et al., 2014, p. 546). One test for reliability is composite reliability (CR). Composite reliability varies between 0 and 1, with 1 being perfect estimate reliability. For exploratory purpose, a value equal or greater than 0.6 is considered appropriate, and for confirmatory purpose, a value equal or greater than 0.7 (Garson, 2016, p. 63-64). In this study, the composite reliability varies between 0.89 and 0.95, which exceeds the suggested thresholds.

Another test for reliability is the Cronbach's alpha, which again ranges from 0 to 1, and the threshold of acceptability is equal or greater than 0.6 to 0.7 (Hair et al., 2014, p. 90). In this study, Cronbach's alpha varies between 0.82 and 0.92, clearly over the limit. Average Variance Extracted (AVE) is a summary measure evaluating the convergence between a set of items that represent a latent variable (Hair et al., 2014, p. 601). As a rule of thumb, AVE should be greater than 0.5 (Chin, 1998). In this study the AVE values ranged from 0.68 to 0.80 and well above the cut-off limit.

Discriminant validity is a measure of how distinct each construct is from other constructs. Therefore, when discriminant validity is high, it means that the construct is unique and is showing something different from other constructs (Hair et al., 2014, p. 619). To test discriminant validity, one way is comparing the square root of AVE for each latent variable to its correlation with other latent variables; if square root of AVE is higher, it means that the latent variable shares more variance with its block of indicators than any other latent variable (Garson, 2016, p. 67). The constructs of this study pass this test successfully.

Another way to test discriminant validity is by checking cross-loadings. Ideally, indicators have higher loading on the construct they are intended to measure and lower cross-loading on other constructs. As a rule of thumb, it is suggested that the intended loadings should be higher than 0.6 or 0.7, while the cross-loading lower than 0.3. (Garson, 2016, p. 68-69) In this study, the intended loading exceeds the threshold of 0.7, however, the cross-loading exists in the range of 0.25 and 0.71. Nevertheless, the cross-loading is never higher than the intended loadings.

The outer model loadings, as can be seen in Figure 9, range between 0.710 and 0.950, which exceed the threshold recommendation of 0.7. Therefore, the indicators are proper and reliable for measuring the latent variables. The outer model loadings are reported in table 10.

Table 10. *Outer model loading of the model from SmartPLS report.*

| Indicators | Ind. No.1 | Ind. No.2 | Ind. No.3 | Ind. No.4 | Ind. No.5 | Ind. No.6 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Bridging | 0,800 | 0,829 | 0,815 | 0,853 | | |
| Performance feedback | 0,777 | 0,939 | 0,935 | 0,950 | | |
| Strategic fit | 0,906 | 0,910 | 0,840 | | | |
| Customer attractiveness | 0,823 | 0,869 | 0,885 | | | |
| Preferred customer status | 0,868 | 0,909 | 0,888 | 0,909 | | |
| Information sharing | 0,710 | 0,838 | 0,861 | 0,889 | 0,898 | |
| Joint performance improvement | 0,814 | 0,815 | 0,874 | 0,884 | 0,830 | 0,839 |

Multicollinearity measures the level of intercorrelation between two or more independent variables (Garson, 2016, p. 71). An increase in multicollinearity leads to difficulty in interpreting variates because it becomes difficult to distinguish the effect of a single variable separately, due to their interrelationships (Hair et al., 2014, p. 545). Multicollinearity is deemed as an issue when variance inflation factor (VIF) coefficient is higher than 4 (or 5 in some cases) (Garson, 2016, p. 71). However, it is also suggested that multicollinearity is unproblematic within the limit of 10 (Duzan and Shariff, 2015). In this study, the VIF ranges from 1.58 to 6.45 which is well below the cut-off limit of 10.

6.3 Results of the supplier relationship survey

In order to test the model both the PLS algorithm and bootstrapping were performed in SmartPLS. Bootstrapping is a procedure that creates a large number of sub-samples from the original sample and estimates the model for each subsample in order to validate the model (Hair et al., 2014, p. 2). Since the PLS algorithm does not assume any of the known distribution, the significance level of the p-value is not computed; hence, bootstrapping is performed (Garson, 2016, p. 62).

When running the bootstrapping, the number of subsamples can be chosen by the user. The number of subsamples is recommended to be high for the final result preparation. Hair et al. (2017, p. 186-187) recommend 5000 subsamples. Another setting to choose for the bootstrapping is the algorithm to treat the missing data. One option is mean replacement that replaces all the missing data with the mean value of all the remaining

data. This option does not change the sample size but affects the variance of the variables. Another option is case-wise or list-wise deletion that deletes each case that contains a missing data. This option might significantly reduce the sample size and is a very conservative strategy. The last option is pair-wise deletion which deletes the case only if the case has missing values in each pair of variables in each analysis. This algorithm tries to delete as little data as possible but is usually not recommended. (Hair et al., 2017, p.81)

Based on the above description, 5000 subsamples and the case-wise deletion were selected to test the model for this study. Due to the selection of case-wise deletion the sample size was reduced to 468. The following results will be discussed about the output of the tests: path coefficient, statistical significance, loadings, and R square.

Path coefficient shows the relationship between the latent variables. The value of this coefficient varies between -1 and +1; the closer the value to one, the stronger the relationship. The more close to zero the value of the coefficient, the weaker the relationship; and values very close to zero are usually assumed to be not significantly different from zero. The coefficients can also be compared with each other. If one path has a higher value of path coefficient, its effect on the endogenous latent variable is stronger than the other with lower value. (Hair et al., 2017, pp. 206-207) The path coefficients can be seen on the paths of the inner model in the Figure below.

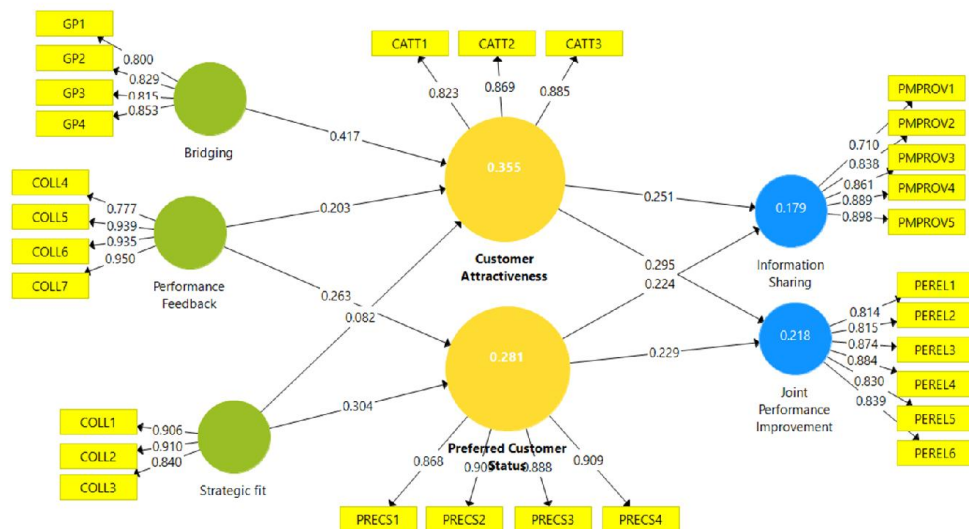


Figure 9. Results of the model from SmartPLS.

When the path coefficient is reported, it needs to be evaluated in terms of statistical significance. Significance is assessed by the p-value. P-value is the probability of falsely assuming a path coefficient is significant, while in fact it is not significant. The choice of significance level depends on the research field and objective of the study. In marketing a p-value of 0.05 is usually applied, while a value of 0.01 is sometimes preferred in consumer market research. (Hair et al., 2017, p. 206-208)

R square (R^2) or the coefficient of determination is the most commonly used measure to assess the structural model. R square measures the predictive ability of the model. The coefficient measures the combined effects of the exogenous latent variables on the endogenous latent variable. In other words, the measure shows how much of the variance in a variable can be explained by the variables linked to it. The R square value ranges between 0 and 1, and the higher value shows higher predictive ability. There is no recommended level for R square since the acceptability of its value depends on the discipline of research and model complexity. (Hair et al., 2017, p. 209; Garson, 2016, p. 80) R square is shown inside the latent variable constructs in Figure 9.

In Figure 9, on the arrows connecting the constructs to their indicators, outer model loadings can be observed. These measurement loadings show the indicators' absolute contribution to the definition of the latent variable. These loadings range from 0 to 1 since the data are standardized in SmartPLS. The larger the value of these loadings are, it shows the strength and reliability of the measurement model. (Garson, 2016, p. 60-61) According to Henseler et al. (2012, p. 269), a threshold of 0.7 is recommended for a reliable reflective model.

In table 11, path coefficients, standard deviation, t-values, and p-values from the bootstrapping results are presented. As can be seen, all hypotheses except the relationship between strategic fit and customer attractiveness are supported with proper significance levels.

Table 11. Path coefficient results of the model from SmartPLS.

| Hypothesized paths | Mean | Standard deviation (STDEV) | T statistics | P values |
|------------------------------------------------------|-------|----------------------------|--------------|----------|
| H1: Bridging → Customer Attractiveness | 0,417 | 0,047 | 8,810 | 0,000 |
| H2: Performance Feedback → Customer Attractiveness | 0,203 | 0,071 | 2,866 | 0,004 |
| H3: Performance Feedback → Preferred Customer Status | 0,263 | 0,073 | 3,609 | 0,000 |
| H4: Strategic fit → Customer Attractiveness | 0,082 | 0,065 | 1,273 | 0,203 |
| H5: Strategic fit → Preferred Customer Status | 0,304 | 0,070 | 4,364 | 0,000 |

| | | | | |
|---------------------------------------------------------------|-------|-------|-------|-------|
| H6: Customer Attractiveness → Information Sharing | 0,251 | 0,073 | 3,419 | 0,001 |
| H8: Customer Attractiveness → Joint Performance Improvement | 0,295 | 0,059 | 5,001 | 0,000 |
| H7: Preferred Customer Status → Information Sharing | 0,224 | 0,066 | 3,419 | 0,001 |
| H9: Preferred Customer Status → Joint Performance Improvement | 0,229 | 0,061 | 3,762 | 0,000 |

Bridging possibilities or the access a customer can bring to its suppliers to other potential business partners and potential markets have a strong positive effect on the attractiveness of the customer (coefficient = 0.417, $p < 0.001$). Performance feedback has a positive but slightly weaker effect on customer attractiveness with a path coefficient of 0.203 and significant at 0.01 level. On the other hand, strategic fit and common goals seem to not have any significant effect on customer attractiveness with path coefficient of 0.082 and p-value of 0.203.

Performance feedback also shows a positive effect on preferred customer status with a path coefficient of 0.263 and significance at 0.001 level. Despite its lack of effect on customer attractiveness, common goals and strategic fit are positively related to preferred customer status with a path coefficient of 0.304 and significance of $p < 0.001$. Strategic fit has a stronger effect on preferred customer status than performance feedback.

Customer attractiveness was hypothesized to positively affect information sharing of suppliers, which is supported in this model. It has a path coefficient of 0.251 and significant at 0.005 level. The statement regarding the influence of customer attractiveness on joint performance improvement is also supported by a coefficient of 0.295 and significance of $p < 0.001$.

The two hypotheses regarding the consequences of preferred customer status are both also supported. Preferred customer status affects information sharing of suppliers positively, supported by a path coefficient of 0.224 and significant at 0.005 level. Preferred customer status also strongly affects joint performance improvement, supported by path coefficient of 0.229 and significant at 0.001 level.

As with the R square results, the model explains 35.5% of the variance in customer attractiveness and 28.1% in preferred customer status. The model explains 17.9% of variance in information sharing and 21.8% in joint performance improvement, which indicates that there are more factors affecting these two variables other than customer attractiveness and preferred customer status. These values are reported also in table 12.

Table 12. *R square results of the model from SmartPLS report.*

| Latent variable | R square (R ²) | R square adjusted |
|-------------------------------|----------------------------|-------------------|
| Customer attractiveness | 0.355 | 0.351 |
| Preferred customer status | 0.281 | 0.278 |
| Information sharing | 0.179 | 0.175 |
| Joint performance improvement | 0.218 | 0.215 |

6.4 Discussion on the results and implications on literature

This study analysed three antecedents of customer attractiveness, two antecedents of preferred customer status, and the strength and significance of their effects. Two consequences of preferred customer status and customer attractiveness were also tested and confirmed. These findings will be discussed further in this section.

Tanskanen and Aminoff (2015) empirically confirmed bridging as an antecedent of customer attractiveness. They concluded that suppliers value the presence of buying companies in interesting markets and that those companies can link them to their network of business partners. This study also strongly confirms the effect of this factor on the attractiveness of the customer. The above study was a case study including two buying companies and three suppliers which makes six dyadic relationships; however, the present study employs a survey study and draws on a bigger sample to test the relationship and in that way brings new and powerful evidence for the argument.

It seems that the indirect value brought by access to potential new customers and markets makes buying companies more attractive in the eyes of the suppliers. Among the many buyers that might interest a supplier, the one that brings the potential of more business even outside the dyad is economically enticing and can put a certain buyer in a more favourable position in the eyes of the supplier.

The effect of performance feedback was also confirmed in this study on both customer attractiveness and preferred customer status. Having meetings to review the performance of the relationship and to discuss the expectations, the evaluation, and ideas to improve the performance proves to be important for suppliers both in perceiving buyers as more attractive partners and to offer preferential treatment. The relationship between performance feedback and customer attractiveness was empirically supported by Maunu (2003). The idea was also supported by the conceptual study of Hald et al. (2009). The

results of the present study reinforce the previous results and bring more empirical support for the argument. A smooth process of evaluating and discussing the relationship performance can prevent misunderstandings and conflicts between the partners, and therefore a peaceful and more mature relationship can prosper.

The effect of performance feedback on gaining preferred customer status is positive but somewhat weaker than the effect of strategic fit. The relationship between performance feedback and preferred status was suggested by Nollet et al. (2012) and supported by Moody's (1992) survey study. The results of the present study make the relationship more clear and bring more empirical support for it. Proper performance feedback can be seen as an element of mature communication system which is necessary for a successful partnership (Moody, 1992; Maunu, 2003; Leenders et al., 2005; Hald et al., 2009). A complicated and mature relationship with preferential treatments involved requires a well-developed communication and feedback channel to survive. Since these relationships involve frequent interactions, large amount of exchanged information, and joint actions, a feedback system is necessary to ensure clarification and consistent exchange of improvement ideas.

This idea is conveyed by a respondent through open comments:

"... there has not been a constant service level control and development. We hope that this will soon change and we will be better able to develop cooperation."

Or another respondent states their lack of information regarding the customer's perception about their company and how it hinders their cooperation:

"...We do the best to support [customer] with the competence asked for and we want to do more business with [customer]. With clarity on where we stand as a supplier ... the cooperation could be much closer with [customer] which would have a positive outcome in other aspects as well."

They state their interest in expanding business with the customer which could get facilitated through better communication and feedback channel. Another comment expresses the same problem of lack of feedback system which leads to confusion and friction:

"...we do not have any joint dialogue or getting feedback on the quality and delivery of competence. Due to that, we are afraid that there is a lack of knowledge of what we [supplier's offering] can actually offer [customer]."

Another respondent points out the importance of having discussion and sharing of expectations and ideas:

“...it is very important to ask and seek information from partners about our cooperation and also to share the results. This is how we really work together, i.e. by talking transparently and developing a win-win idea in our business.”

The effect of strategic fit in terms of common strategic goals, compatible relationship goals, and shared performance indicators was also tested on customer attractiveness and preferred status. The positive effect of strategic fit on preferred status was clearly supported, however, the effect on customer attractiveness was insignificant. Earlier research of Bew (2007) and Blonska (2010) support the influence of common goals and shared values on preferred customer status. Due to the long-term nature and binding commitments of awarding preferred status, it is understandable that organizations expect the long-term goals of their partner to align with their own.

Also, when it comes to offering preferred status, a mature relationship is already in place, therefore, more strategic and complicated criteria are expected to develop the relationship further. However, with customer attractiveness, since the attraction level can be elementary or even prior to the initiation of the relationship, it seems reasonable that long-term goals and shared values might not be an essential factor in the initial perception towards the current or potential business partner.

One respondent shares their dissatisfaction with customer's solo actions and not involving them in the process of strategic goal setting:

“...evaluation of strategic direction is more information about what has been decided. We are not part of that process to work out the direction jointly.”

This shows the importance of close cooperation and setting of relationship goals together with business partners in order to have clarity and conformity on the direction of the relationship.

In addition to antecedents, some consequences of customer attractiveness and preferred status were also analysed. Customer attractiveness proved to have a positive effect on the level of information shared with the customer such as production plans, and quantitative information in terms of product and service quality, delivery schedules, production capacity, and production lead times. When a customer is found to be attractive, it is only sensible that the attracted partner would act accordingly to engage the attractive partner. By sharing information that the partner would benefit from, the supplier can keep the attractive partner satisfied. Christiansen and Maltz (2002, see Schiele et al., 2011) already proposed the idea, and this study brought more empirical proof for the argument.

Having preferred status also proved to positively affect the practice of sharing information from suppliers. Awarding preferential treatments to a customer naturally binds the two partners closer and means more trust between them, therefore, an open flow of information would make operations smoother and would benefit both parties. The idea was proposed in the conceptual paper by Nollet et al. (2012), and this study contributes to empirical support for the argument.

Customer attractiveness also positively affects joint performance improvement in terms of delivery, cost efficiency, quality, responsiveness, joint product or service development, and technological knowledge. It is expected that attractiveness between partners would bring more commitment and dedication to the relationship, therefore, both parties will handle their processes and actions better in order to keep the other party satisfied. This hypothesis is suggested by different researchers (Mortensen et al., 2008; Vollmann and Cordón, 2002; Christiansen and Maltz, 2002), however, the earlier studies lack empirical evidence.

The positive relationship between preferred customer status and joint performance improvement is also supported in this study. There is conceptual support for this argument in the literature (Nollet et al., 2012; Bemelmans et al., 2015), however, no empirical testing was conducted. This study brings empirical support and shows the positive relationship between the items.

7. CONCLUSIONS

In this chapter, first, the key learning points and the main findings of the research will be reviewed. Then, the implications of the findings of this study for practitioners and managers will be pointed out. In the third subchapter, some of the limitations of this study and criticisms of its validity and reliability will be discussed. Finally, some ideas and leads for future research will be mentioned in the last section of this chapter.

7.1 Summary of the main findings

The objective of this study was to dive into the subject of customer attractiveness and find out why it is an important matter in today's business relationships and what drivers and factors affect a company's chance of proving itself attractive to its suppliers to get a chance of getting closer and enjoy the outcomes of trust and commitment that follows. Based on the literature review, an understanding of attraction as a complex phenomenon containing internal and external reward and cost components was developed. The stages and levels of attraction were identified and discussed and a model of attraction spectrum was proposed to explain the continuous quality of attractiveness.

Further, the two paths that lead buying companies to seek attractiveness and choose to pursue the preferred customer status were discussed. It was observed from the literature that buyers can either be forced to choose preferential treatment due to lack of supply or they voluntarily seek this road to benefit from the consequences such as first-hand access to innovations or supplier's best brainpower.

In order to empirically test the hypotheses of the study, a model comprising of three antecedents and two consequences was developed and using the data from a survey study, it was tested to analyse the relationship between the elements of the model. The data used for the empirical study was also tested for biases and validity to ensure the reliability of the model and the data.

The three antecedents that were investigated were bridging, performance feedback, and common goals and strategic fit between the two companies. Bridging or the access that a buyer brings to the supplier acting as a bridge to other potential customers or even whole new markets, proved to have a great effect on the attractiveness of a customer.

Suppliers seem to value the indirect benefits they can gain from the relationship with a buyer. This indirect value is the connection the buyer brings for the supplier to unexplored and attractive markets in which the buyer has experience to share with the supplier. Also the recommendation and reputation a buying company can bring for a supplier in order to attract other business partners prove to make a buyer more attractive in the eyes of the supplier.

Performance feedback was also confirmed to positively affect customer attractiveness and preferred customer status. It seems that it is quite important for suppliers to have the possibility to discuss the performance of the relationship with the buyer and openly discuss the expectations that the buyer company has from them. They also value the chance to receive evaluation results from the customer and receive feedback and ideas on how to further improve the business relationship.

The third investigated antecedent, i.e. common goals and strategic fit proved to have a strong effect on preferred customer status, however, its effect on customer attractiveness was insignificant. It seems that setting strategic goals together or having consistent and similar goals for the business relationship is not such an important factor in the beginning stages of the relationship, however, when the partners grow closer and intent to strengthen the relationship, this factor plays a more important role. When the relationship is growing stronger into stages where the buyer might become a preferred customer, aligned strategic goals of the two partners is a more important factor in indicating the strategic fit of the relationship and its future success.

In addition to the three drivers of customer attractiveness, two of the consequences were also tested. Customer attractiveness and preferred customer status both proved to positively enhance the level of information sharing by the supplier. It seems that when a supplier finds a customer to be interesting, they are more willing to share information about the production plans, their product or service quality, their delivery and lead times, and their production capacity. By sharing this information with an interesting customer, the supplier can make sure that they can keep the partner satisfied and improve the quality of the relationship gradually into a closer partnership.

Furthermore, being an attractive customer and having preferred customer status both proved to improve the joint performance of the buyer-supplier relationship. The study confirmed that suppliers who find the buying firm attractive or grant preferred status, find their performance better compared to three years ago in terms of delivery performance, cost-effectiveness, quality standard fulfilment, responsiveness, joint product or service development, and technological knowledge. It seems that when a supplier has a better

perception of a customer and they have more trust with each other and collaborate more closely it leads to improvements in their mutual activities and consequently results in higher satisfaction from the relationship.

7.2 Managerial implications

What does this study of attractiveness and preferred customer-ship imply for managers and practitioners who intend to enhance their relationship with a supplier? One important point to take into account is that suppliers have different views of what brings them value and who is an attractive partner, and this affects their perception and choice of their preferred customers. Therefore, one step for practitioners is identifying the wants and needs of that specific partner they seek to get closer to. Each supplier and every buyer-supplier relationship has its own dynamics and individual consideration of these dynamics is the key to not focus attention on unimportant elements of the relationship and instead concentrate on what brings real value.

As elaborated in the literature section of the study, many antecedents have been identified and suggested by researchers to seek more attraction. One strategy would be to identify the aspects in which the company has more strength or more potential for improvement to focus on. Not all the identified factors are significant to all buyer-supplier relationships, and not all of them are accessible for a buying company to maneuver with. Therefore, it is important to concentrate on factors that are both valuable to the specific supplier and is one of the buyer's strengths or potential source of strength.

As empirically confirmed in this study, factors of bridging, performance feedback, and strategic fit affect the attractiveness of buyers. One strategy for managers of buying firms to become more attractive customers can be leveraging their buyer and supplier base to get closer to interesting suppliers. Especial knowledge of an interesting market or recommendations and tips to get closer to potential partners can be valuable for suppliers. Helping suppliers in developing commercial relationships in a market familiar for the buying firm can go a long way. Furthermore, like other organizations, suppliers are also constantly seeking information and provision of such information as market development which is relevant to the supplier could make the buyer an attractive partner in the eyes of the suppliers. Buyers should make the best use of these valuable assets and turn them into sources of attractiveness for themselves.

Furthermore, performance feedback proved to be a significant driver of customer attractiveness and it is a factor that buying firms can work to improve. Managers can facilitate the suppliers' access to their personnel to discuss the performance of the relationship, they can create new channels for communication, and they can work together with suppliers to take into account their ideas and needs about this matter. Managers should make sure that the suppliers are clearly aware of the expectations that buyers have from them, they should regularly meet to discuss and evaluate the performance of the supplier and share ideas on how to improve the performance.

Finally, if a buying firm intends to become the preferred customer of a supplier they should take the strategic fit of their company goals into consideration. Strategic goals of the company are usually set firmly and will not change considerably, therefore, it should be taken into account that the supplier chosen for this matter has quite similar goals and strategies for its future compared to the buyer. Moreover, the strategic goals for the relationship should be decided and set together with the supplier to strengthen the connection, bring trust and commitment to the relationship, and increase the chance of gaining preferred status.

7.3 Limitations and criticism

One criticism to this study is that, since the consequences of gaining the preferred customer status essentially relate to the buying companies, the results of it should have been measured from the buyer's perspective, while the empirical study of this research was conducted entirely from the perspective of the supplier companies. Further studies could investigate how and what benefits the customers observe when they are perceived as attractive customers or awarded preferred status by the suppliers.

The limitations of this research also did not allow for a comprehensive analysis of all the drivers of attractiveness that were identified from the literature. These drivers need thorough investigation and more empirical study to support or reject their relevance in the real setting of buyer-supplier relationships.

Saunders et al. (2009, p. 156) argue that even though you cannot truly know that the results from your research are unmistakably true, you can nevertheless, do your best to reduce the possibility of having the answers wrong. And this comes from concentrating on two aspects of research design: reliability and validity. The reliability of the research

comes from the consistency of the data collection techniques and the analysis methods (Saunders et al., 2009, p. 156). In order to control the reliability of the research they suggest three steps from Easterby-Smith et al. (2008, p. 109). The first one is whether the measures of the research produce the same results on other occasions. The study of this research had a big sample size and buying companies were chosen from both the manufacturing and service industries. Also the respondent supplier companies were from various industries, sizes, locations, and background which gave the research a good measure of comprehensiveness. In that sense it can be said that if the research were done on other occasions, similar results would have been reached.

The second step asks whether similar results would be observed by other observers. Since the conduction of this study was quite independent of the individual opinion of the researchers and the items of the study were derived from the literature and from previous similar research works, the results would prove to be comparable if repeated by other observers. And lastly, it is asked about the transparency of the observations made from the raw data. All the analysis done on the data in this study are quantitative analysis which is explained and discussed thoroughly and leave no vague point in the process of analysis, therefore, it can be said that the analysis process is quite clear.

Robson (2002) also counts four threads to the reliability of the research. The first one is subject or participant error, which is the error by the respondent depending on the time and place of answering the survey. In this research the recipient received the survey by email and had time to conveniently answer the survey, thus, this error does not concern this study. The second thread is participant bias. However, since in this survey the participants were made sure of the anonymity of their responses, this bias is not an issue in this research. The third and fourth threads are the observer error and observer bias which refer to the mistakes of the person or persons collecting the data. Since this study was performed as an online questionnaire the intervention of observers was minimal and therefore these threads are not relevant in this case.

Saunders et al. (2009, p. 158) explain another concern about the research design which is the generalisability or external validity of the research. This means that the results of a research study are applicable to other research settings like other organizations. In the case of this research, due to the vast diversity of the research sample, it can be said that the results are quite generalizable for other settings such as other buyer-supplier business relationships.

7.4 Implications for future research

In the literature section of this study, several antecedents for customer attractiveness and preferred customer status, and many outcomes of the two phenomena were identified. Then three of these antecedents and only two of the consequences were empirically tested. Obviously, due to the limitations, not all the identified elements could be tested in this study, however, as was seen in the results of this study, not all the argued and tested antecedents were actually turned out to be a driver of customer attractiveness. For this reason, more empirical testing of the identified and suggested antecedents from the literature is encouraged. These suggested elements might be very well argued conceptually, but nevertheless, might prove less important or insignificant in the actual setting of buyer-supplier relationship.

Furthermore, the consequences of the two phenomena of customer attractiveness and preferred customer status are not sufficiently addressed in the literature. Many of the related papers spend a few paragraphs discussing the importance of the phenomena but comprehensive and strong evidence-based literature is lacking to support the importance of the outcomes of the studied subjects.

As was briefly discussed in the introduction section, there are several questions regarding the attractiveness and preferred status research fields that need to get answers, and since the research is in the infancy phase now, these questions are only starting to get attention and responses. For example, one important question that arises is which suppliers should be targeted. Pulles et al. (2016) point out the importance of answering this question by arguing that customers should not hope to develop this kind of relationship (i.e. preferential customer status) with all their supplier base, but rather focus on selecting supplier(s) in which they see a potential of generating competitive advantage for themselves.

Furthermore, the aspects of the challenges and the risks of seeking preferred status should also be analysed. Being quite a recent phenomenon, these challenges are not widely studied or documented and might prove problematic if it creates for example situations of lock-in or unfair power imbalance between the parties.

Moreover, to further investigate the observations of the quantitative study done in this research, a more qualitative study could give more insight on the subject. The findings could also be tested in other contextual settings to get a wider view and to find out whether the results are generalizable to other industries and other situations.

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APPENDIX A: ITEMS OF THE QUESTIONNAIRE AND THEIR SOURCE IN LITERATURE

| | Items | Adapted from |
|---------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Bridging | <i>The relationship with [Customer] ...</i> | Geyskens and Steenkamp (2000) |
| | ... provides us with a dominant market position in our sales area. | |
| | ... is very important for us with respect to growth rates. | |
| | ... enables us to attract other customers. | |
| | ... enables us to exploit new market opportunities. | |
| Performance feedback | Representatives of our company and [Customer] meet regularly to review the performance of the relationship. | Prahinski and Benton (2004) |
| | <i>Our firm can easily approach [Customer] for discussion...</i> | |
| | ...to clarify their expectations of our firm's performance. | |
| | ...regarding their evaluation of our firm's performance. | |
| | ...regarding ideas for performance improvement. | |
| Strategic fit | We set the strategic goals for the relationship together with [Customer]. | Lintukangas et al. (2016) |
| | Our company's goals regarding the relationship are consistent with those of [Customer]. | Whipple and Frankel (2000) |
| | We use shared indicators with [Customer] for supply chain or supply network performance. | Danese and Romano (2012) |
| Customer attractiveness | We expect positive outcomes from the relationship with [Customer]. | Hüttinger et al. (2014) |
| | Our firm has positive expectations towards profitability and large sales volumes from relationships with [Customer]. | |
| | The way business is done by [Customer], makes it an attractive partner for our firm. | |
| Preferred customer status | <i>Compared to other customers in our firm's customer base...</i> | Explorative from Schiele adapted from Pulles et al. (2014) |
| | ... [Customer] is our preferred customer. | |
| | ... we care more for [Customer]. | |
| | ... [Customer] receives preferential treatment. | |

| | | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| | ... our firm's employees prefer collaborating with [Customer]. | |
| Information sharing | We provide our production plans for [Customer]. | Danese and Romano (2012) |
| | <i>We support the operations of [Customer] by providing credible quantitative information concerning...</i> | Adapted from Cousins et al. (2008) |
| | ... the quality of our products or services. | |
| | ... delivery schedules of our products or services. | |
| | ... our production capacity. | |
| | ... lead time for production. | |
| Joint performance improvement | Our joint performance with [Customer] is better than 3 years ago in terms of... | Adapted from Ulaga and Eggert (2006) and Kotabe et al. (2003) |
| | ... delivery performance. | |
| | ... cost-efficiency. | |
| | ... fulfilment of quality standards. | |
| | ... responsiveness to requests for changes. | |
| | ... joint product or service development. | |
| | ... technological knowledge. | |